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IN THE

Supreme Court of the United States

October Term, 1971

71-539

UNIROYAL, INC.,

Petitioner,

against

LOUISVILLE CHEMICAL CO.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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October 16, 1971

CONTENTS

	PAGE
OPINIONS BELOW	1
JURISDICTION	2
QUESTIONS PRESENTED	2
STATUTES AND FEDERAL RULES INVOLVED	3
STATEMENT OF THE CASE	4
REASONS FOR GRANTING THE WRIT	7
I. The Court Should Review the Decision Below To Resolve a Conflict Among Circuits on a Question of Federal Law That Should be Settled by This Court	7
A. The Rule in the *Zenith* Case Applies by Its Terms to a "Continuing Conspiracy"	7
B. The Trier of the Facts in the Case at Bar Rejected Respondent's "Continuing Conspiracy" Theory	9
C. Applying the Rule in *Zenith* to the Case at Bar Gave that Rule Unintended Breadth and Created a Conflict with Decisions Of Other Circuits	10
II. The Decision Below on the Effective Filing Date of the Antitrust Treble-Damage Claim Conflicts with the Decisions of Other Circuits and Raises Important Questions of Federal Law	14
CONCLUSIONS	17

PAGE

Appendix:

A—Opinion of District Court on Patent Validity and Infringement Issues A1

B—Opinion of District Court on Antitrust and Patent Misuse Issues A37

C—Judgment of the District Court A91

D—Opinion of the District Court Denying Amendment of Findings and Denying New Trial.. A93

E—Opinion of the Court of Appeals A97

F—Judgment of the Court of Appeals..... A120

G—Order of the Court of Appeals Amending Its Opinion A122

H—Opinion of the Court of Appeals Denying Petitions for Rehearing A123

I—Complaint A127

J—Amendment to Complaint A132

Cases Cited

Athas v. Day, 161 F. Supp. 916 (D. Colo. 1958) .. 16

Aarhus Oliefabrik A/S v. A. O. Smith Corp., 22 F.R.D. 33 (E.D. Wis. 1958) 16

Bufalino v. Michigan Bell Tel. Co., 404 F. 2d 1023 (6th Cir. 1968), cert. den., 394 U.S. 987 (1969) ... 16

Butler v. Sinn, 423 F. 2d 1116 (3rd Cir. 1970) ... 16

Delta Theaters, Inc. v. Paramount Pictures, Inc., 158 F. Supp. 644 (E.D. La. 1958) 11

Farbenfabriken Bayer, A.G. v. Sterling Drug, Inc., 153 F. Supp. 589 (D.N.J. 1957) 11

PAGE

Garelick v. Goerlich's, Inc., 323 F. 2d 854 (5th Cir. 1963) 6, 7, 11, 12, 13

Guaranty Trust Co. v. United States, 304 U.S. 126 (1938) 13

Higgins v. Kiekaefer Corp., 246 F. Supp. 610 (E.D. Wis. 1965) 16

Hoffman v. Halden, 268 F. 2d 280 (9th Cir. 1959) .. 16

Lewis v. Lewis, 358 F. 2d 495 (9th Cir. 1966) 16

Murfkan v. Kahn, 11 F.R.D. 520 (S.D. Fla. 1951) .. 16

Order of Railroad Telegraphers v. Railway Express Agency, 321 U.S. 342 (1944) 13

Railing v. United Mine Workers, 429 F.2d 780 (4th Cir. 1970) 13

Railing v. United Mine Workers, 445 F.2d 353 (4th Cir. 1971) 13

Schenley Industries, Inc. v. N.J. Wine & Spirit Wholesalers Assoc., 272 F. Supp. 872 (D.N.J. 1967) 11

Slack v. Stiner, 358 F.2d 65 (5th Cir. 1966) 15

Steiner v. 20th Century-Fox Film Corp., 232 F.2d 190 (9th Cir. 1956) 12, 13

United Mine Workers v. Railing, 91 S. Ct. 991 (1971) 13n

Utah v. American Pipe & Construction Co., 13 Fed. Rules Serv. 2d 24a. 22 Case 1 (C.D. Cal. 1970) 16

Weber v. Consumers Digest, Inc., 440 F. 2d 729 (7th Cir. 1971) 12, 13

Zenith Radio Corp. v. Hazeltine Research, Inc. 395 U.S. 100 (1969) 8, 8n

Zenith Radio Corp. v. Hazeltine Research, Inc., 401 U.S. 321 (1971) 5, 7, 8, 9, 9n, 10, 11, 12, 13, 14

Statutes and Rules Cited

PAGE

15 U.S.C. § 15 3

15 U.S.C. § 15b 3, 5, 6, 7, 12

15 U.S.C. § 16(b) 9

28 U.S.C. § 1254(1) 2

28 U.S.C. § 1337 4

28 U.S.C. § 1338(a) 4

Rule 15(c) of the Federal Rules of Civil Procedure 3, 4, 15, 16

Other Authority Cited

3 Moores Federal Practice ¶ 15.15 [4.-1], pages 1041-42 ..... 15n

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Petitioner, the sole defendant below, asks the Court to issue a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit entered on April 29, 1971.

Opinions Below

The opinions of the United States District Court for the Southern District of New York (Appendices A and B to this petition) are reported in 301 F. Supp. 273 and 306 F. Supp. 541. The opinion of the District Court denying petitioner's motion for a new trial is reported in 1970 CCH Trade Cas. ¶ 73,124 (Appendix D). The opinion (Appendix E) of the United States Court of Appeals for the Second Circuit is reported in 1971 CCH Trade Cas. ¶ 73,568. The opinion (Appendix H) of the Court of Appeals denying petitions for rehearing has not been reported.

Jurisdiction

The Court of Appeals made and entered its judgment on April 29, 1971. It denied petitions for rehearing on July 19, 1971 (Appendix H). Petitioner invokes the jurisdiction of this Court under 28 U.S.C. § 1254(1).

Petitioner does not seek review of the judgment below as it affects any matter other than the claim of respondent for treble damages for violation of the Sherman Act. None of the parties to the action below other than petitioner and respondent will be affected by the review sought.

Questions Presented

I. Where a manufacturer has ceased selling to a distributor under circumstances held to violate the Sherman Act, and where the distributor brings suit against the manufacturer for treble damages, but not until over four years after the unlawful cessation of dealings, may the distributor nevertheless recover for damages sustained within the four-year period even though no overt act causing the injuries was found to have occurred within that period?

II. Where a party, intervening as plaintiff in a suit for a judgment declaring a patent invalid and not infringed, amends the complaint at the time of intervention to plead a claim for treble damages under the antitrust laws, no such claim having been previously asserted by any party to the action, does the intervening party's claim, for purposes of the computation of damages, relate back to the time of the filing of the original action?

Statutes and Federal Rules Involved

Sections 4 and 4B of the Clayton Act, 15 U.S.C. §§ 15 and 15b, and Rule 15(*c*) of the Federal Rules of Civil Procedure are involved in this case.

Section 4 of the Clayton Act, 15 U.S.C. § 15, is as follows:

> Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee.

Section 4B of the Clayton Act, 15 U.S.C. § 15b, in pertinent part, is as follows:

> Any action to enforce any cause of action under sections 15 or 15a of this title shall be forever barred unless commenced within four years after the cause of action accrued.

Rule 15(c) of the Federal Rules of Civil Procedure, in pertinent part, is as follows:

> (c) *Relation Back of Amendments.* Whenever the claim or defense asserted in the amended pleading arose out of the conduct, transaction, or occurrence set forth or attempted to be set forth in the original pleading, the amendment relates back to the date of the original pleading. An amendment changing the party against whom a claim is asserted relates back if the foregoing provision is satisfied and, within the period provided by law for com-

mencing the action against him, the party to be brought in by amendment (1) has received such notice of the institution of the action that he will not be prejudiced in maintaining his defense on the merits, and (2) knew or should have known that, but for a mistake concerning the identity of the proper party, the action would have been brought against him.

Statement of the Case

The Ansul Company, the original plaintiff below, sued petitioner on May 31, 1968, for a declaratory judgment of invalidity, non-infringement and unenforceability of petitioner's U. S. Patent No. 2,614,916. Plaintiff alleged mismarking of patented goods, fraud on the Patent Office, and misuse of the patent through unspecified violations of the Sherman Act. Appendix I, below. The basis of the District Court's jurisdiction was 28 U.S.C. § 1338(a).

Respondent and others were defendants in other actions brought by petitioner in other districts for infringement of the same patent. They, including respondent, intervened in this action on November 27, 1968. On the same date, plaintiff Ansul and two of the plaintiff-intervenors, respondent and Daly-Herring Co., filed an amended complaint. It demanded treble damages for violations of the antitrust laws. Here jurisdiction was based on 28 U.S.C. § 1337.

The District Court held two trials. The Honorable Walter R. Mansfield presided over both. The first dealt with validity and infringement of the patent. The District Court held that claim 7 of the patent was valid and had been infringed by the plaintiff and plaintiff-intervenors. It found claim 1, the only other claim before it, invalid. Appendix A, below. Petitioner does not seek review of any part of the judgment below resulting from the first trial.

The second trial involved the alleged misuse of the patent, the alleged fraud on the Patent Office, and the alleged mismarking. It also involved the treble-damage antitrust claims of Ansul, respondent and Daly-Herring. Judge Mansfield found that petitioner, as patentee, had misused its patent by antitrust violations, principally resale price maintenance and territorial and customer restrictions, and that the misuse barred enforcement of the patent. The trial judge rejected the allegations of mismarking and fraud on the Patent Office. He dismissed all three of the treble-damage claims, holding that the statute of limitations, Section 4B of the Clayton Act, 15 U.S.C. § 15b, barred respondent's claim. Appendix B, below.

Both sides appealed to the United States Court of Appeals for the Second Circuit. By an opinion (Appendix E) dated April 29, 1971, it affirmed the District Court in all respects but one. It held that Judge Mansfield had erred in dismissing respondent's treble-damage claim. It relied on *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 401 U.S. 321 (1971), decided after the District Court's decisions. Petitioner seeks review of so much of the Court of Appeals' judgment as resulted from that reversal.

Petitioner petitioned for a rehearing by the Court of Appeals of its reversal of the dismissal of respondent's claim. It petitioned also for rehearing of the ruling that the date of the commencement of the action, rather than the date of filing of the amended complaint, fixed the period for the computation of respondent's damages under the rule in *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, above. Plaintiff-intervenor Daly-Herring petitioned for rehearing of the dismissal of its treble-damage claim.

On July 19, 1971, the Court of Appeals denied both petitions for rehearing. Appendix H. It amended its opinion of April 29, 1971, to clarify its view that respondent's treble-damage claim was to be deemed filed on May 31, 1968, the

date on which plaintiff Ansul had filed the declaratory-judgment suit. Appendix G. Petitioner seeks review of that determination.

The action concerns an agricultural chemical called maleic hydrazide, manufactured by petitioner and sold principally under petitioner's registered trademark "MH-30." Sprayed on tobacco plants, its principal use, the product prevents the formation of sprouts called "suckers." Before maleic hydrazide, "suckers" had to be removed by hand, an expensive process.

Petitioner sold "MH-30" to distributors such as respondent, who sold it in turn to dealers. The dealers sold it to farmers. The main selling season for "MH-30" ran from about May to September of each year, that being the growing season for tobacco.

Judge Mansfield found that in 1963 petitioner halted sales of "MH-30" to respondent, a distributor since 1961. Judge Mansfield further found that the termination had taken place because of respondent's breaches of petitioner's unlawful restrictions on resale, including price and customer limitations. Finally, the trial court found that petitioner had repeatedly refused to reinstate respondent as a distributor. Because respondent did not commence suit until 1968, more than four years after petitioner had ceased dealing with it, the District Court held its claim barred by the four-year statute of limitation of Section 4B of the Clayton Act. It found that the last overt act causing damage to respondent was petitioner's ceasing to deal with it in 1963. Relying on *Garelick* v. *Goerlich's, Inc.*, 323 F.2d 854 (6th Cir. 1963), Judge Mansfield held that petitioner's refusals to reinstate respondent did not constitute new overt acts for purposes of the statute of limitations.

The Court of Appeals, in reversing the trial court's dismissal of respondent's claim, did not disturb any of its findings of fact.

Reasons for Granting the Writ

I. The Court Should Review the Decision Below To Resolve a Conflict Among Circuits on a Question of Federal Law That Should be Settled by This Court.

A. The Rule in the *Zenith* Case Applies by Its Terms to a "Continuing Conspiracy."

The Court of Appeals reversed Judge Mansfield's holding that respondent's treble-damage claim was time-barred. It did so on the authority of this Court's decision in *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 401 U.S. 321 (1971). The Court of Appeals, petitioner submits, erred. The facts of *Zenith* have nothing in common with those of the case at bar.

The District Court held that respondent, having been discontinued as a distributor in 1963 and not having sued until 1968, had not satisfied the four-year statute of limitations. Clayton Act, Section 4B, 15 U.S.C. § 15b. Judge Mansfield, on the authority of *Garelick* v. *Goerlich's, Inc.*, 323 F. 2d 854 (6th Cir. 1963) and other cases, rejected the argument that petitioner's refusals, within the four-year period, to reinstate respondent as a distributor constituted separate offenses that set the statute runnig anew. He found that the 1963 cut-off was "the last overt act causing damages." Appendix B, pages A88-A89; 306 F. Supp. at page 569.

The Court of Appeals held that *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, above, removed the bar of the statute for antitrust damages sustained within the limitations period, even though those damages resulted from a conspiracy whose last overt act occurred outside that period, provided such damages, had they been demanded prospectively at the time of the misconduct, would have been unprovable as speculative or uncertain. The Court of Appeals, purporting to act pursuant to Zenith, directed a determination of so much of respondent's damages for

the period beginning in May, 1964 (four years before the supposed commencement of the action[1]) as could not be proved with reasonable certainty in late 1963, when the unlawful refusal to deal further occurred. Appendix E, pages A118-A119.

Petitioner submits that the Court of Appeals overlooked a premise of the holding in the *Zenith* case. *Zenith* was decided, to use this Court's own words, "In the context of a continuing conspiracy."[2] The overt acts committed under the conspiracy persisted into the period not barred by the statute. This appears from this Court's emphasis that only "some" or "part" of *Zenith's* damages resulted from conduct outside the statute of limitations.[3] It follows that the remaining "part" occurred within the statutory period. The Supreme Court's opinion in an earlier round of the same litigation resolved any doubt by declaring:

> We also conclude that the record evidence is sufficient to support a finding of damage resulting from events occurring after the beginning of the damage period.[4]

The "damage period" to which the Court referred was the four years preceding the assertion of *Zenith's* antitrust counterclaim. 401 U.S. at pages 324 and 325.

Zenith, therefore, did not represent a situation where antitrust damages sustained within the limitations period

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[1] As is shown in Point II, below, the date should be November, 1964.

[2] 401 U.S. at page 338.

[3] 401 U.S. at pages 327 ("some of this damage" and "part of the post-1959 damage") and 333 ("some undetermined portion"). At page 331 the Court referred to "that part of Zenith's damages" caused by past acts.

[4] *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 119 (1969). The "events" were the continuation of patent pools.

resulted from conduct solely outside that period. It dealt rather with damage-producing conduct occurring partly within and partly without the statute of limitations. In that respect, the facts of the case at bar fall beyond the scope of the *Zenith* holding. Petitioner will now point out that distinction and its significance.

B. The Trier of the Facts in the Case at Bar Rejected Respondent's "Continuing Conspiracy" Theory.

The background of respondent's treble-damage claim shows a situation different from that of *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, above. That case, petitioner has shown, involved damages sustained from a conspiracy whose overt acts continued into the period of limitations.[5] In the case at bar, respondent's damages stemmed from a single act, the 1963 termination, five years before the commencement of suit.

Judge Mansfield found the 1963 cut-off "the last overt act causing [respondent] damages."[6] True, he also found that after the cut-off Louisville "was unable to secure its requirements [of MH-30] completely," but he refrained from finding that any conspiratorial act caused that difficulty. As the Court of Appeals pointed out,[7] the District Judge:

> . . . rejected Louisville's contention that the antitrust conspiracy was a continuing one and that

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[5] In the *Zenith* case that period was lengthened by the application of the tolling provision of 15 U.S.C. § 16(b). 401 U.S. at pages 335-338. In the case at bar, a straight four years is involved. The injured party in *Zenith* nevertheless offered proof of damages only during the four years preceding suit. 401 U.S. at pages 324 and 325.

[6] Appendix B, pages A88-A89; 306 F. Supp. at page 569. The Court of Appeals did not disturb this finding of fact. Appendix E, pages A115-A119.

[7] Appendix E, page A116.

> further causes of action accrued in its favor when it was refused reinstatement and was unable to purchase its full requirement of MH-30.

This rejection of the "continuing conspiracy" theory establishes a distinction between *Zenith* and the case at bar. Petitioner will next show that by applying *Zenith* in spite of that distinction the Court of Appeals went beyond the intended scope of the *Zenith* rule. Petitioner will also discuss the consequences of that misapplication.

C. Applying the Rule in *Zenith* to the Case at Bar Gave that Rule Unintended Breadth and Created a Conflict with Decisions Of Other Circuits.

Petitioner has shown that its background distinguishes respondent's situation from *Zenith*. This Court in *Zenith* relied explicitly on "the context of a continuing conspiracy." The Court of Appeals in the case at bar did not disturb the District Court's denial of that element but applied *Zenith* nonetheless. Petitioner turns now to the propriety and the consequences of that application.

To begin, how far did this Court intend *Zenith* to go? Did it mean to enunciate a rule applicable to all cases where damages sustained within the limitations period arose from conduct beyond that period, or did it have in mind cases, like *Zenith* itself, where the causative conduct extended into the period? Petitioner submits that the answer lies in the authorities on which this Court relied in *Zenith*. The Court explained the reason for its ruling in these words (401 U.S. at page 339):

> In antitrust and treble damage actions, refusal to award future profits as too speculative is equivalent to holding that no cause of action has yet accrued for any but those damages already suffered. In these instances, the cause of action for future damages, if they ever occur, will accrue only on the date they are suffered; thereafter the plaintiff may sue to recover them at any time within four years from the date they were inflicted.

Mr. Justice White, who delivered the Court's opinion, referred to two decisions on the proposition just quoted. They are *Schenley Industries, Inc.* v. *N. J. Wine & Spirit Wholesalers Assoc.*, 272 F. Supp. 872 (D.N.J. 1967), and *Delta Theaters, Inc.* v. *Paramount Pictures, Inc.*, 158 F. Supp. 644 (E.D. La. 1958). Both involved "continuing conspiracies" in which misconduct continued to a point within the statute of limitations.

In the *Schenley* case, for example, District Judge Coolahan drew a perfect parallel with *Zenith* in its proper context. He said (at page 887 of 272 F. Supp.):

> Schenley contends that overt acts within four years past are necessary to start the Statute running anew, but that, once in the courthouse door, it can even recover for damages caused by earlier acts which are part of a continuing conspiracy.
>
> Insofar as such acts are alleged to have caused damage within the the last four years, I agree.

In the *Delta Theaters* case, decided on defendant's motion to strike parts of the claim as time-barred, plaintiff had alleged a "conspiracy [that] continued . . . to the present." 158 F. Supp. at page 647.

This Court's opinion in *Zenith* also relied on *Farbenfabriken Bayer, A.G.* v. *Sterling Drug, Inc.*, 153 F. Supp. 589, 593 (D.N.J. 1957). It was there held that a conspiracy action required "a specific allegation that [damages sustained within the period of limitations] were proximately caused by an overt act committed within the same period."

The rule in *Zenith*, therefore, rests on precedents involving conspiracies that extended into the period of limitations, as did *Zenith* itself. In the case at bar, however, the fact-finder refused to find a "continuing conspiracy." Consistently with this refusal, Judge Mansfield applied cases, notably *Garelick* v. *Goerlich's, Inc.*, above, in which the last damage-producing overt act occurred more than

four years before suit. *Garelick,* directly parallel to the case at bar, held that refusals of a terminated distributor's requests for reinstatement did not, for purposes of the statute of limitations, constitute new overt acts.

The Court of Appeals, in reversing Judge Mansfield, applied *Zenith* to a situation that *Garelick* should have governed. There, petitioner submits, it erred.

Right or wrong, the Court of Appeals' application of *Zenith* to the case at bar creates a conflict between its construction of Section 4B of the Clayton Act and that of its sister tribunal in the Sixth Circuit, where *Garelick* was decided in 1963. Since the date of the *Zenith* decision, the Court of Appeals for the Seventh Circuit has allied itself with the Sixth Circuit. In *Weber* v. *Consumers Digest, Inc.,* 440 F.2d 729, 731 (7th Cir. 1971), it cited *Zenith* for the rule that:

> It is well settled that the period of this statute of limitations [15 U.S.C. § 15b] commences to run from the last overt act of the conspiracy.

When applied in the manner sanctioned by the Court of Appeals in the case at bar, *Zenith* has the effect of causing the statute of limitations to run from the last point at which damages were sustained, rather than from the last overt act. The Court of Appeals for the Ninth Circuit, like that for the Seventh Circuit, has rejected this approach. In *Steiner* v. *20th Century-Fox Film Corp.,* 232 F.2d 190, 194 (9th Cir. 1956), it declared:

> Appellant contends that where damages are in their nature continuing the statute runs from the date of the last injury. Under this view the statute of limitations would not run until all injury to a claimant had ceased. We must disagree. In a civil conspiracy, the statute of limitations runs from the commission of the last overt act alleged to have caused damage.

The Court of Appeals for the Fourth Circuit has, at this Court's direction,[8] applied *Zenith* to an action for damages under Section 303 of the Labor Management Relations Act of 1947. *Railing* v. *United Mine Workers,* 445 F.2d 353 (4th Cir. 1971). An earlier opinion, 429 F.2d 780, 781-783 (4th Cir. 1970), however, shows that illegal acts had occurred within two years, the applicable statutory period, before the commencement of suit. *Railing,* therefore, does not conflict with the interpretation of *Zenith* for which petitioner contends.

The conflict represented by *Garelick, Weber* and *Steiner* on the one hand and the Court of Appeals' application of *Zenith* to the case at bar on the other, involves an issue going to the heart of the policy of statutes of limitations. Such statutes, of course, serve a beneficial purpose. In *Guaranty Trust Co.* v. *United States,* 304 U.S. 126, 136 (1938), this Court called the statute of limitations "a meritorious defense, in itself serving a public interest." The Court later said in *Order of Railroad Telegraphers* v. *Railway Express Agency,* 321 U.S. 342, 349 (1944):

> The theory is that even if one has a just claim it is unjust not to put the adversary on notice to defend within the period of limitation and that the right to be free of stale claims in time comes to prevail over the right to prosecute them.

Zenith, as properly applied, does not contravene this policy. The victim of conspiratorial action must still assert his claim within four years of an overt conspiratorial act. The rule in *Zenith* comes to his aid only by enabling him to recover all damages sustained within that four-year period, regardless of when they were caused.

The application of *Zenith* here, however, enlarges the statute. It revives claims like respondent's that would

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[8] *United Mine Workers* v. *Railing,* 91 S. Ct. 991. (1971).

otherwise be time-barred, an effect that *Zenith* in its own context did not have. The wronged party there would still have recovered, though not so much, had the decision gone the other way.

The impact of the holding below thus merits this Court's attention on two grounds. It has created a split of authority on an important question of law not limited to the antitrust field. It has also raised a basic issue of the policy of statutes of limitations. Petitioner submits that a writ of certiorari should issue.

II. The Decision Below on the Effective Filing Date of the Antitrust Treble-Damage Claim Conflicts with the Decisions of Other Circuits and Raises Important Questions of Federal Law.

Apart from its application of *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, above, to the case at bar, the Court of Appeals erred in fixing May 31, 1968, as the date on which respondent commenced its action. The error is material because under the Court of Appeals' ruling that date measures the period for which respondent is to recover damages.

Respondent, petitioner has shown, did not intervene in this action until November 27, 1968.[1] Only then did it and the original plaintiff Ansul amend the complaint[2] to demand for the first time damages under the antitrust laws. Respondent has no corporate or other relationship to the original plaintiff. It based its treble-damage claim on facts different from those alleged by the original plain-

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[1] Page 4, above.

[2] The original complaint and the amendment to complaint are annexed as Appendices I and J.

tiff in the amended complaint.[3] On rehearing, the Court of Appeals for the Second Circuit amended its opinion[4] to say that the effective filing date of respondent's treble damage action was May 31, 1968, the date on which the original patent action was commenced.

This holding conflicts with the decision in *Slack* v. *Stiner*, 358 F.2d 65 (5th Cir. 1966). That case arose from two private actions under the Securities Act. At the trial the court added certain persons as parties plaintiff. Defendants interposed the statute of limitations against the new plaintiffs. The District Court rejected the defense as to most of the added plaintiffs, but the Court of Appeals reversed. It held that the amendment at trial did not relate back to the commencement of the original actions.

In the *Slack* case, the new plaintiffs pleaded claims identical to those of the original plaintiffs. In the case at bar, respondent pleaded an entirely new claim. This, petitioner submits, aggravates the error of the Court of Appeals.

The principle represented by *Slack* is, in fact, well established. Professor Moore has said that Federal Rule 15(c), governing the relation back of amendments.[5]

> . . . will not apply to an amendment which substitutes or adds a new party or parties for those brought before the court by the original pleading—whether plaintiff or defendant. The reasoning is that such an alteration amounts to the assertion of a new cause of action. . . .

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[3] In fact, the trial court and the Court of Appeals both found that the original plaintiff did not have a valid treble-damage claim. 306 F. Supp. at pages 567-568, Appendix B, pages A84-A86 and Appendix E, pages A113-A114.

[4] Appendix G.

[5] 3 MOORES FEDERAL PRACTICE ¶ 15.15[4.-1], pages 1041-42.

District court cases in which added plaintiffs or prospective plaintiffs were denied the benefit of a prior commencement of the action by someone else include *Utah* v. *American Pipe & Construction Co.*, 13 Fed. Rules Serv. 2d 24a.22 Case 1 (C.D. Cal. 1970); *Higgins* v. *Kiekhaefer Corp.*, 246 F. Supp. 610 (E.D. Wisc. 1965); *Athas* v. *Day*, 161 F. Supp. 916, 919 (D. Colo. 1958); *Aarhus Oliefabrik A/S* v. *A.O. Smith Corp.*, 22 F.R.D. 33 (E.D. Wis. 1958); and *Murfkan* v. *Kahn*, 11 F.R.D. 520, 522 (S.D. Fla. 1951).

By its terms, moreover, Rule 15(c) applies only to the addition of parties defendant as relating back to the commencement of the action. Even in that kind of situation, governed by an explicit provision of the Rules, the authorities conflict with the holding below. The Court is respectfully referred for examples to *Butler* v. *Sinn*, 423 F.2d 1116 (3rd Cir. 1970); *Bufalino* v. *Michigan Bell Tel. Co.*, 404 F.2d 1023, 1028 (6th Cir. 1968), cert. den., 394 U. S. 987 (1969); *Lewis* v. *Lewis*, 358 F.2d 495, 502 (9th Cir. 1966); and *Hoffman* v. *Halden*, 268 F.2d 280, 304 (9th Cir. 1959). In each of these cases an amendment adding a new defendant or new defendants and alleging matter substantively different from plaintiff's original pleading was held not to relate back to the original pleading.

The original complaint in the case at bar did allege a Sherman Act violation as misuse of the challenged patent. (Appendix I, ¶ 12.) No one can contend this broad allegation gave petitioner notice that its termination of respondent, at that point a stranger to the action, five years earlier was being challenged.

Petitioner submits, therefore, that the holding of the Court of Appeals in the case at bar, allowing the relation back of a new cause of action on behalf of a new plaintiff, conflicts with an established rule as applied in other circuits. For this reason alone, the petition should be granted.

Conclusions

I. By holding respondent entitled to treble damages in the absence of an overt act committed within four years before the commencement of the action, the Court below created a conflict with the decisions of other circuits, misapplied a ruling of this Court and infringed the policy underlying the statute of limitations.

II. The Court of Appeals erred in deeming respondent's antitrust treble-damage claim to have been filed on the date of the filing of the original complaint by a different party, instead of on the date of respondent's intervention, the first occasion on which treble damages were demanded. It likewise created a conflict with a principle long established in other circuits.

WHEREFORE, petitioner prays that the Court issue a writ of certiorari to review so much of the judgment of the Court of Appeals as held respondent entitled to treble damages and as remanded the action for determination of those damages.

Respectfully submitted,

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Appendix A

Opinion of District Court on Patent Validity and Infringement Issues

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

68 Civ. 2244

June 6, 1969

THE ANSUL COMPANY,

Plaintiff,

and

DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO. and TRIANGLE CHEMICAL CO.,

Plaintiffs-Interveners,

against

UNIROYAL, INC.,

Defendant.

MANSFIELD, *D. J.*

In this action for declaratory judgment initiated by plaintiff Ansul, in which plaintiffs-interveners later joined, plaintiff seeks an adjudication of invalidity, unenforceability and non-infringement of Claims 1 and 7 of U.S. Patent No. 2,614,916 (the "916" patent herein), issued on

October 21, 1952 to two scientists then employed by defendant Uniroyal, Inc. (Otto Hoffman and Dwight Schoene) and assigned by them to it, which granted certain claims for an agricultural chemical composition comprising 1,2-dihydropyridazine-3,6-dione and its salts [1] ("dione" herein) with a wetting agent, claimed to have the novel property of regulating and altering the growth characteristics of growing plants. The two claims in issue read as follows:

> 1. An agricultural chemical composition comprising material of the group consisting of 1,2-

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[1] Chemical compositions may be described either by name or by formula. There are two types of formula designations, empirical and structural. The former discloses only the identity and number of atoms in a molecule, the latter shows exactly where each atom is located within the molecule and how the atoms are bonded together.

One empirical formula may describe several molecules having the same number of the same types of atoms but having distinct properties because of varying arrangement of the atoms within the molecule. Such compositions are known as isomers. The empirical formula for the dione, and its isomers, is

$$C_4H_4N_2O_2$$

A structural formula, however, by its nature describes a specific molecule. The dione is represented by the following structural formula:

dihydropyridazine-3,6-dione and its salts, said composition containing a wetting agent.

7. The method which comprises treating growing plants with material of the group consisting of 1,2-dihydropyridazine-3,6-dione and its salts in a concentration and amount sufficient to alter the growth characteristics of said plants.

Ansul also seeks relief under the antitrust laws and misuse of the patent. Uniroyal counterclaims for infringement.

This action arises out of Ansul's entry, in the summer of 1968, into manufacture and sale of an agricultural chemical product previously sold only by Uniroyal, which claimed monopoly rights thereto under its 916 patent. Uniroyal's product has been sold under the names "MH-30" and "Slo-Gro," both of which contain, as their active ingredient, 58% by weight of a substance which was first designated as the diethanolamine salt of the dione and which is now termed the diethanolamine salt of 6-hydroxy-3(2H)-pyridazinone ("6-hydroxy" herein). Despite the various chemical names applied to this substance throughout the years, it was established at trial that the active ingredient of Uniroyal's commercial product has at all times remained the same: the diethanolamine salt of what is designated as the dione or its isomer, commonly called "maleic hydrazide" [2] ("MH" herein).

Uniroyal exercised its patent monopoly for 15 years in the sale of this product without threat of competition until the summer of 1968 when the Ansul Company ("Ansul"

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[2] Maleic hydrazide is referred to as a common name because, unlike most chemical names, it does not reveal the chemical structure of the named compound. Generally there is a correlation between a structural formula and a chemical name. For example, a chemist learning that a compound is referred to as 1,2-dihydropyridazine-3,6-dione would be able, without further information, to draw the structural formula for that compound which is shown in fn. 1.

herein) began to market identical products[3] (called "Sucker Stuff" and "Retard") to be used for identical purposes.[4] Uniroyal then moved to protect its market but was beaten in the race to the courthouse by Ansul.

The issues to be decided at this time are relatively narrow due to counsel's ability to stipulate certain important questions and the fact that trial of all issues other than validity and infringement of Claims 1 and 7 of the 916 patent has been deferred until a later date.

From March 3 to 14, 1969 a separate trial was held pursuant to Rule 42(b), F.R.C.P., with respect to the issues of invalidity and non-infringement of Claims 1 and 7. For the reasons hereinafter set forth the declaratory judgment action is granted with respect to Claim 1 and denied with respect to Claim 7, which is determined to be valid and enforceable, subject to resolution of the antitrust and misuse issues by trial scheduled to commence on July 1, 1969.

Background of the 916 Patent

MH, the active ingredient of the compound which is the subject of the 916 patent, dates back to 1894, when the published dissertation of a German doctoral candidate in chemistry, Hans Foersterling, disclosed the preparation of a chemical compound, designated therein by the structural formula for the dione, from maleic anhydride and

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[3] The labels for Ansul's products indicate that, like Uniroyal's MH-30 and Slo-Gro, the product consists of 58% 6-hydroxy. Further, Ansul's labels, like Uniroyal's, refer to the active ingredient not only by a chemical name indicating structure, but by its common name, maleic hydrazide.

[4] The labels of Uniroyal's MH-30 and Ansul's Sucker Stuff indicate that both are to be used to prevent the growth of tobacco suckers and the sprouting of potatoes and onions. The labels of Uniroyal's Slo-Gro and Ansul's Retard indicate that they are to be used to control the growth of grass, trees, shrubs and ivy.

hydrazine. One year later a modified version of this dissertation appeared in an article co-authored by Foersterling and his professor, Dr. Th. Curtius.[5] In this work the compound which Foersterling had designated by the structural formula for the dione was given the name "maleic hydrazide." No use was suggested for the newly disclosed chemical, and it remained virtually unmentioned in the literature for over 50 years.

In 1947 two employees of defendant Uniroyal, Inc. (then known as United States Rubber Company), Otto Hoffman, a biologist, and Dwight Schoene, a chemist, were conducting joint experiments with various chemicals on tomato plants.[6] The chemist, Schoene, prepared a compound which he later discovered had been previously disclosed and named by Foersterling and Curtius as maleic hydrazide. This compound, as well as its copper and zinc salts, was applied in a mixture or composition with a wetting agent to the test plants. Two to three weeks later, in December of 1947, it was observed that the chemical had dramatically inhibited the growth of treated tomato plants without injuring them. The plants were observed to be from 30% to 50% smaller than untreated "control group" plants, yet the treated plants appeared to be healthy and normal in all other respects. While other chemicals existed that would inhibit the growth of plants, the discovery that MH could accomplish this result without injury to the plant uncovered

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[5] Curtius and Foersterling, J. Pr. Chem. (2) 51, 371-398 (1895).

[6] Tomato plants were the standard plants used by Uniroyal for screening new chemicals. It was also common in such tests to use a wetting agent with the chemical to be tested. A wetting agent, or surface active agent, is a substance capable of reducing the surface tension of a liquid solution, and it was and is commonly used in the application of chemical systems to plants to permit spreading of the solution on the surface of the leaf so as to aid penetration and absorption of the chemical.

a new and unique property offering prospects for possible practical use. Prior to that discovery, although some other compounds had been found that would inhibit plant growth, they also caused plant injury that rendered them of little or no practical use.

In a report dated January 22, 1948, Dr. H. Douglas Tate, Uniroyal's manager of agricultural chemicals research and development, reported under a heading "Herbicides" that the recently tested reaction product of maleic anhydride and hydrazine hydrate (MH) "prevented all development of terminal and lateral buds of plants without any other apparent injury." Thereafter, Uniroyal began testing the chemical on other plants in the greenhouse and in the field, including vines (squash), weeds and grass. In September of 1948 Hoffman, the biologist, wrote the chemist, Dr. Schoene, and informed him that MH's growth inhibition effect was unique and that sufficient information had been accumulated to merit a patent application. As a result of the experimentation conducted at Uniroyal, the inventors described MH's property of inhibiting plant growth as generic. A paper prepared by them in the winter of 1948-1949 (Ex. O) for distribution to numerous experimental stations that would be asked to test the compound on various kinds of plants, described MH as "A UNIQUE GROWTH REGULANT" found to have a "pronounced, but temporary, inhibiting effect on plant growth," without suggesting any limitation to specific species. Although the paper gave details as to their experiments with tomato plants and grass, the authors indicated their belief that it could be used to inhibit growth of plants generally, as follows:

> "Trials of this chemical are suggested wherever it is desirable to temporarily inhibit the growth of plants. Such uses include the temporary inhibition of grass growth on lawns so as to reduce the number

of mowings; the inhibition of shrubs so as to reduce the amount of trimming; the inhibition of growth in permanent plantings such as nurseries, raspberry plantings, and others."

At approximately the same time, in a report dated October 1, 1948, Dr. Tate reported the results of Uniroyal's most recent experimentation as follows:

"*Plant Growth Inhibition by Maleic Hydrazide*

"Maleic hydrazide has prevented growth of lawn cover for more than one month without killing any plants or causing any apparent effect other than growth inhibition. Although no practical applications are apparent at the moment, its marked effect in controlling plant growth indicates that a useful application might be found for it or related compounds."

Thus, to summarize the status of Uniroyal's invention as of the beginning of 1949, its scientists had discovered that MH possessed a remarkable new quality and use, up to that point unknown and unappreciated, which was described in generic terms as enabling a person to arrest the growth of a plant temporarily. The basic new utility of the chemical was clear. On the other hand, further experimentation would be required to spell out the details of its use on specific plant species (i.e., to determine the most suitable dosage rates, wetting agents, concentrations, timing, and salts for each of the many varieties of growth forming the plant kingdom). Although various kinds of practical use were visualized, commercial possibilities had not yet developed. It is undisputed that if Hoffman and Schoene had not discovered the compound's unique property of plant inhibition, it might never have become known or available to mankind.

Opinion on Patent Validity and Infringement Issues

Before seeking the reward of a patent monopoly for the new discovery Uniroyal, in late February or early March of 1949, began to "sample"[7] MH to independent research personnel who were known to be interested in the areas in which Uniroyal felt practical application of the chemical's newly discovered use might be developed. Each person asked to test the new compound was informed for the first time of its newly discovered property through a copy of the inventor's article entitled "MALEIC HYDRAZIDE, A UNIQUE GROWTH REGULANT" by Hoffman and Schoene. As a result of this sampling, the current major commercial uses of MH were developed. Dr. Aubrey Naylor, a professor of botany at Duke University with vast experience in the area of growth substances, was impressed with the claims made for the sample of MH and decided to have his undergraduate class run simple tests with the chemical to see whether it would be effective in preventing the suckering[8] of tobacco. Guided by the directions sent with the sample and his past experience as a plant physiologist,

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[7] It was a common practice for manufacturers of agricultural chemical compounds to send samples to workers at government sponsored Agricultural Experiment Stations and elsewhere for testing or "sampling." In the case of the sampling of maleic hydrazide Uniroyal either preceded, followed or accompanied the shipment of the chemical sample with a short description of the chemical and directions for its testing which were based on early experiments by Uniroyal.

[8] The suckering of tobacco occurs when the axillary buds (found at the point of insertion of the leaf on the main branch of the plant) begin to grow. This lateral branch, or secondary growth on tobacco, is referred to as a sucker. The formation of suckers on tobacco plants is undesirable because the growing suckers utilize the essential metabolites which normally go to the growth of the leaves, the agricultural end product of tobacco plants, and this diversion lowers the grade and quality of the leaf. Prior to Dr. Naylor's tests and Uniroyal's subsequent marketing of maleic hydrazide, tobacco farmers had to remove suckers manually, which was costly.

Dr. Naylor found that the chemical was effective in preventing tobacco suckering, which would save tobacco farmers from the time-consuming task of manually removing suckers and which has been described by one tobacco farmer as "almost a miracle." This application of the basic discovery has also accounted for most of Uniroyal's success in marketing MH for commercial use.[9]

The other major commercial use for MH is the prevention of sprouting of stored potatoes and onions, which stems from the work of Dr. Sylvan Wittwer, an Assistant Professor of Horticulture at Michigan State University, to whom a sample of MH was sent by Uniroyal as part of its sampling program. Dr. Wittwer had been looking for a chemical that would prevent onion sprouting and the description sheet sent by Uniroyal with the MH sample indicated to him that MH might be effective for that purpose. Using the instruction sheet and his skill and experience, Dr. Wittwer, in one experiment, not only found that MH was effective for this purpose, for which no other solution had been found, but also determined the optimum concentration, rate and timing of the application of the chemical to onions. Since that one experiment nothing significant has been added to man's knowledge concerning the use of MH on onions.

While these and other tests were being conducted with the chemical, Hoffman and Schoene on April 1, 1949, as

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[9] The parties have stipulated the commercial success of Uniroyal's MH products. Since its commercialization by defendant in the early 1950's more than $68,000,000 of MH and its salts has been marketed for use in treating plants. Use for control of tobacco suckering has accounted for approximately 75% of Uniroyal's sales of MH. Though MH had lain dormant for over 50 years, once Uniroyal disclosed its unique effect on plants and sampled the chemical to those interested in plant growth regulants and herbicides, discoveries of new uses and published articles appeared with great frequency. By 1963 at least 1,000 articles had been written about MH, which indicates that Uniroyal's discovery opened up a substantial field of scientific endeavor.

assignors to Uniroyal, applied for a patent which would basically cover the chemical and its salts combined with a wetting agent, and the use of the chemical and its salts to temporarily inhibit the growth of plants. Although Dr. Tate, in his January 1948 Summary of Progress (Ex. S), had reported on MH under the heading "Herbicides,"[10] indicating the possibility that it might become useful as a plant killer, or phytocide, the original patent application filed on April 1, 1949 did not disclose such use, but was limited to temporary inhibition of plant growth. Shortly after the filing of the original application, however, MH's phytocidal activity was recognized by Dr. Hoffman as a result of tests on grass plots (Ex. BQ, dated April 19, 1949). This was confirmed by another independent researcher to whom an MH sample was sent, Prof. A. S. Crafts of the University of California, who found that certain grasses were killed as a result of his treatment of them with MH prior to May 20, 1949. On July 20, 1949, a continuation-in-part application was filed, disclosing among other things, MH's phytocidal activity. After several amendments the patent which is the subject of this suit, Patent No. 2,614,916, was issued on October 21, 1952.

Basic Principles and Contentions

To be patentable either as a composition (Claim 1) or a method (Claim 7), the claimed invention must, *inter alia*, be new, useful and not obvious to those having ordinary skill in the art to which the subject of the claimed invention pertains. 35 U.S.C. §§ 101 and 103; *Graham* v. *John Deere Co.*, 383 U.S. 1 (1965). The fact that an invention claimed herein was the consequence of a routine screening process does not affect its patentability. 35 U.S.C. § 103. A patent is invalid if the subject matter of the patentee's

[10] A herbicide is a chemical capable of killing herbaceous, or soft tissued plants such as grasses and tomato plants. Herbicides are included in the class of plant killers known as phytocides.

invention was known, used, made or conceived by another in this country prior to the patentee's invention thereof, provided that if there was a prior inventor he did not abandon, suppress or conceal his invention. 35 U.S.C. § 102(a)(g). But even if the invention meets these tests, a patent may be held invalid unless it complies with the disclosure and claiming provisions of 35 U.S.C. § 112 [11] which were designed to require the patentee, in consideration for the grant of a patent monopoly, to disclose his invention to the world with sufficient precision to enable those skilled in the art to practice it, and to distinctly claim the subject matter of his invention so as to not discourage enterprise and experimentation "by the creation of an area of uncertainty as to the scope of the invention", which might have the effect of broadening the statutory monopoly beyond the scope of the actual invention. *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 258 F.2d 124, 137 (2d Cir.), *cert. denied*, 358 U.S. 884 (1958). In determining whether there has been compliance with § 112, however, due consideration must be given to whether the subject matter in a particular case is of a nature that lends itself to precise definition, and allowance must be made for inherent imprecision in language as a means of such definition.

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[11] In pertinent part 35 U.S.C. § 112 reads:

> "The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.
>
> "The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention. . . ."

Ansul and plaintiffs-interveners urge that Uniroyal's patent claims are deficient for one or more of the above reasons. Specifically, Claim 1 is attacked as being unpatentable over the prior art because it lacks novelty and was obvious and because it does not comply with the claiming provisions of 35 U.S.C. § 112. No attempt is made to argue that Claim 7 is obvious or not novel, but it is urged that Claim 7 meets neither the disclosure nor claiming provivsions of 35 U.S.C. § 112 and that it is invalid because of prior and intervening inventions of scientists who were sent samples of the product by defendant prior to the initial filing of its patent application.

These contentions must be investigated in light of the admitted commercial success of this product and the fact that despite that success no one challenged defendant's patent monopoly until Ansul entered the market in 1968, approximately 1½ years before the expiration of defendant's patent. Public acquiescence in the validity of a patent for some 15½ years, particularly when that patent, as here, protects an extremely profitable market, is a significant factor tending to show validity, at least in a doubtful case and in the absence of other explanatory circumstances. See *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 258 F. 2d 124, 133-134 (2d Cir.), *cert. denied*, 358 U.S. 884 (1958); *Consolidated Car Heat Co., Inc.* v. *Chrome-Gold Alloys Corp.*, 109 F. Supp. 652, 654 (N.D.N.Y. 1952).

Normally a presumption of validity attaches to an issued patent, in recognition of the expertise of the Patent Office which alldwed it, particularly where, as here, the Patent Office was fully aware of the prior art. *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 258 F. 2d 124, 132, 133 (2d Cir.), *cert. denied*, 358 U.S. 884 (1958). Back in the days when Patent Office personnel had adequate time to review and consider each application in the light of prior art, such a presumption was entitled to considerable weight. With the steady and massive increase in the

number and type of patent applications, representing a fallout from industry's sharply increased research activities, it is unrealistic to attach any great weight to the allowance of a patent by an over-worked staff. See *Graham* v. *John Deere Company of Kansas City*, 383 U.S. 1, 18 (1966). In any event, such a presumption in the present case is further weakened, if not destroyed, by the discovery, since the institution of this lawsuit, that erroneous data with respect to significant aspects of experiments with salts was submitted in Example VIII of the patent application. Although Uniroyal contends that the Patent Office would have relied upon the false data only in connection with its allowance of Claims 12 and 13 (which Uniroyal abandoned on the eve of trial), this is sharply disputed by Ansul. In view of these circumstances we have decided, in resolving the issues before us, not to give any weight or attach any presumption of validity to the issuance of the 916 patent. See *Floridin Co.* v. *Attapulgus Clay Co.*, 35 F. Supp. 810, 814 (D. Del. 1940); *aff'd.*, 125 F. 2d 669 (3d Cir. 1942); and *California Research Corp.* v. *Ladd*, 356 F. 2d 813, 819 (D.C. Cir. 1966).

Claim 1

The patent, being for a chemical composition to be applied to plants, is directed to those skilled in the art of plant physiology. Though not necessarily chemists, the plant physiologists to whom this patent would be directed would be presumed, of necessity, to have substantial skill in the art of chemistry. In determining whether this claimed patentable invention presents a sufficient advance over the prior art, this Court must place itself in the position of those persons to whom the patent was directed, and project itself back to the late 1940's when the claimed invention was made.

Ansul argues that Claim 1 was not novel because the 1894 publication of Foersterling discloses the dione and a wetting agent. See 35 U.S.C. § 102(a). Uniroyal does not dispute that a prior disclosure of the composition claimed

in the patent will invalidate Claim 1, nor does it dispute the prior disclosure of the dione. Its position is that Foersterling's publication did not disclose the use of the dione *with a wetting agent.*

Although the Foersterling dissertation discloses the use of the dione with ethyl alcohol and benzaldehyde, both of which have properties of wetting agents (see footnote 3), it did not combine them with the dione because of their wetting agent properties. Furthermore, benzaldehyde and ethyl alcohol would not be effective as wetting agents unless used in very large amounts, and for that reason are not, as a practical matter, regarded as effective wetting agents in the field of plant physiology. For these reasons one skilled in the art would not regard Foersterling's disclosure to be within the art's understanding of the patentee's disclosure in Claim 1 of "An agricultural chemical composition comprising material of the group consisting of *1, 2 dihydropyridazine-3, 6-dione* and its salts, said composition *containing a wetting agent.*" (Emphasis added)

The evidence amply demonstrated that benzaldehyde and ethyl alcohol would not be efficient wetting agents, nor likely ones to use for agricultural purposes.[12] As claims

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[12] Plaintiff's chemical expert, Dr. Wagner, testified that Foersterling did not use ethyl alcohol with the dione as a wetting agent but rather for the selective separation of a reaction product. This same witness testified that Foersterling did not mix benzaldehyde with the dione to study surface tension, but to investigate the properties and reactions of such a mixture. Dr. Wagner also noted that example 2 of the 916 patent disclosed the use of emulphor as a wetting agent and that he would expect that as little as one part emulphor to 40,000 parts water (weight ratio) would substantially lower surface tension. On the other hand, he did not think that you could measure the minute reduction in surface tension that would occur if ethyl alcohol were mixed with water in the same proportion. All experts stated that normally if a wetting agent were to be used one would select an agent that would be effective when used in small amounts. Dr. Wagner testified that benzaldehyde is toxic to humans, and Dr. Hall, plaintiff's plant expert, testified that alcohols were not normally used as wetting agents in the agricultural field.

are to be construed in light of the specifications, *United States* v. *Adams*, 383 U.S. 39, 49 (1966), we need not ignore the specifications of the patent which disclose wetting agents that are both efficient and compatible with uses in agriculture. Therefore, we need not blindly find a lack of novelty on the ground that Foersterling's combination of the dione with something which can theoretically, but not practically, be described as a wetting agent anticipated Claim 1 of the patent. See *United States* v. *Adams*, *supra* at p. 50.[13]

The absence of a prior disclosure of the elements in combination does not necessarily render the combination patentable. For a combination of known elements to be a patentable composition "[t]he conjunction or concert of known elements must contribute something only when the whole in some way exceeds the sum of its parts is the accumulation of old devices patentable." *A & P Tea Co.* v. *Supermarket Corp.*, 340 U.S. 147, 152 (1950). Further, the combination of the two old elements must not have been obvious to those skilled in the art prior to the date of invention. Claim 1 meets neither of these tests.

It is undisputed that the dione and wetting agents were old elements well known to the prior art. The dione was

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[13] Plaintiff refers to *Old Town Ribbon & Carbon Co.* v. *Columbia R. & C. Mfg. Co.*, 159 F.2d 379, 381-382 (2d Cir. 1947), and *Application of Shackell*, 194 F.2d 720, 727 (C.C.P.A.), *cert. denied*, 343 U.S. 978 (1952), as support for its contention that a prior disclosure of a composition, even if inadvertent, will preclude the patentability of that composition. Those cases are distinguishable in that the prior disclosure relied on in those cases was "complete and adequate." "[O]bviously one is not the first inventor if, as was the case here, somebody else has made a *complete and adequate* description of the thing claimed before the earliest moment to which the alleged inventor can carry his invention back." *Milburn Co.* v. *Davis*, 270 U.S. 390, 400 (1925) (emphasis added). The holding here is that Foersterling did not completely and adequately disclose the use of the dione with a wetting agent.

combined with a wetting agent simply as a part of a routine screening test. It was common practice as early as 1946 for Uniroyal and others, when screening new chemicals, to mix them with a wetting agent. As the combination was obvious to the prior art, it is not a patentable composition. Uniroyal argues that the use of a wetting agent with the dione did not become obvious until its scientists discovered that the dione can serve some purpose when applied to plants. But the addition of a wetting agent does not require recognition of a compound's use as an "agricultural composition." Wetting agents are commonly used in many fields, for many purposes. *Application of Riden,* 318 F.2d 761, 766 (C.C.P.A. 1963); *Application of Lenin,* 326 F.2d 437, 439 (C.C.P.A. 1964).

Even if the combination were not obvious, the same result would follow from the undisputed evidence that, in combination, the dione and a wetting agent each is limited to performing the same function which it always has performed independent of the other. The dione is the active ingredient that affects the plant and it performs its independent function of altering plant growth even when applied as a solution in plain water without addition of a wetting agent. The wetting agent merely increases the spreadability of the dione and its absorption into some plants. It does not, however, make the dione any more active. Thus it simply performs the same function that it would perform if used with any other chemical in solution. As the whole of this combination is no more than the sum of its parts, Claim 1 is not patentable. *Continental Can Company* v. *Old Dominion Box Company,* 393 F.2d 321, 326 (2d Cir. 1968).

Claim 7—Indefiniteness of Claiming and Disclosure

Ansul does not deny that Claim 7, which claims a new method or use for the dione, i.e., "to alter the growth characteristics of said plants," is a wholly novel, useful and unobvious use for the compound, which was properly

the subject of patentability. However, Ansul contends that the patent's disclosures relating to Claim 7 fail to meet the requirements of 35 U.S.C. § 112 because they do not furnish sufficient information to enable one skilled in the art involved to practice the invention. It is also contended that Claim 7 is couched in such broad general terms that it amounts to invalid overclaiming.[14]

As Ansul sees it, the patent discloses but a paltry few examples of experimentation with MH on a single variety of tomatoes, corn and peas, a few weeds and some grass; it then proceeds to make claims encompassing the entire plant kingdom of at least a half million species without disclosing what operative effect MH will have on different plant species, the timing, dosage rate, and concentration required for treatment of each, the types of salts and wetting agents that should be used and the operative effect of each. The result, according to Ansul, is merely to invite those skilled in the art to engage in broad, extensive and time-consuming experimentation in order to determine which plants are temporarily inhibited by MH, which are killed, which remain unaffected or even stimulated to more growth, and what concentration, dosage rate, salts and wetting agents are to be used to obtain specific results. All of this blind experimentation, argues Ansul, must be conducted without even the aid of bellwethers in the patent disclosures. In short, Ansul contends that the patent amounts to a mere hunting license proscribed by § 112 rather than a certain guide to practice of the generic invention claimed.

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[14] The term "wetting agent" is attacked as being too broad but as it appears only in claim 1 it is dealt with in the text primarily by analogy. But for purposes of review it should be clear that if Claim 1 were to be held unobvious, and therefore valid, this Court would not find that the use of the term "wetting agent" destroyed that claim's validity.

In reply Uniroyal asserts that Claim 7 is broad and generic for the reason that the invention represented a basic or pioneer discovery, wholly new to the art, as distinguished from a minor improvement in a crowded art. Uniroyal concedes that before determining how MH may be used most effectively upon a particular species or variety some experimentation is required to establish the optimum timing, concentration, dosage rate and type of wetting agent, since, as the patent itself states, "[t]he concentration of the chemical in the inert medium depends upon the effect desired, the time of year, the age, species and variety of plant, the climatic conditions, etc." However, contends Uniroyal, Ansul grossly exaggerates the scope and type of such experimentation, and underestimates the learning already possessed by those skilled in the art, which would enable them, with the teachings imparted by the specification, to practice the invention with minimal experimentation.

Uniroyal further points out that the patent discloses MH's effectiveness upon the two major classes of plants, the broadleaf and narrowleaf; and it identifies various salts, wetting agents and examples of plants, and MH's effectiveness upon them, which has enabled those skilled in the art to secure the claimed results in very short order. Such routine experimentation has further revealed that despite some initial impressions that MH might be ineffective upon certain types of plants, it actually affects all plants. The fact that certain salts or wetting agents are inoperative, Uniroyal asserts, would be known to those skilled in the art.

Lastly, Uniroyal poses the practical dilemma in which it found itself in seeking the 916 patent. It would be impossible, or at least prohibitively expensive, and would require many years to test the many thousands of plant species suggested by Ansul as a condition to the award of a broad method claim such as No. 7. If, on the other hand,

the inventors had been required to narrow the claim to the few plant species or varieties already tested, the invention, which is essentially generic in nature, would become freely available to the public for practice with respect to the many thousands of other species and varieties forming the plant kingdom, with the result that Uniroyal would be deprived of adequate patent reward for a basic invention made by its scientists.

We turn to a few additional principles by which we must ourselves be guided in the application of 35 U.S.C. § 112. In construing and applying that section, two countervailing policies have been recognized as entitled to consideration. On the one hand, the inventor must be encouraged to disclose and teach his discovery for the public's benefit. Toward this objective the statutory monopoly must be commensurate with the scope of his invention. On the other hand, further research and experimentation in the same general area must not be inhibited. If the claims of the patent are permitted to exceed the invention, or to create an area of uncertainty as to its scope, experimentation by others may be discouraged.

Faced with the task of balancing these opposing interests, we find it of little use to resort to oft-quoted broad generalities, frequently expressly in colorful catchphrases.[15] Experience reveals that in practice these truisms are expanded or contracted, like an elastic band

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[15] E.g., "an invention must be capable of accurate definition, and it must be accurately defined, to be patentable," *United Carbon Co.* v. *Binney & Smith Co.*, 317 U.S. 228, 237 (1942); "a patent is not a hunting license," *Brenner* v. *Manson*, 383 U.S. 534, 536 (1966); "a patent must be a certain guide, not a congeries of pregnant suggestions," *Harries* v. *Air King Products Co.*, 183 F.2d 158, 160 (2d Cir. 1950); "A generic claim must rest upon a generic discovery," *Helene Curtis Industries* v. *Sales Affiliates*, 233 F.2d 148, 152 (2d Cir.), *cert. denied*, 352 U.S. 879 (1956).

or a fireplace bellows, to suit the nature of a particular patent's subject matter and the novelty and scope of the discovery disclosed. When confronted with an invention that amounts to a minor improvement in a crowded art we have stringently enforced the requirement for precise delineation and kept a tight rein upon the slightest tendency toward overclaiming, e.g., *Universal Oil Products Co.* v. *Globe Oil Refining Co.*, 322 U.S. 471 (1944). On the other hand, a more liberal attitude had been exhibited toward a patent disclosing a pioneer or generic invention, which has been defined as "a patent covering a function never before performed, a wholly novel device, or one of such novelty and importance as to mark a distinct step in the progress of the art, as distinguished from a mere improvement or perfection of what had gone before." *Westinghouse* v. *Boyden Power Brake Co.*, 170 U.S. 537, 562 (1897). The latter is entitled "to a liberality of construction which would not be accorded to an ordinary improvement upon prior devices," *Westinghouse* v. *Boyden Power Brake Co.*, *supra*, and "If the matter were doubtful, it is plain . . . that the character of the patent and its commercial and practical success . . . entitle the inventor to broad claims and to liberal construction of those which he has made." *Smith* v. *Snow*, 294 U.S. 1, 14 (1934). Furthermore, with respect to generic inventions, the patent law "does not require a description of all variations that might suggest themselves to one versed in the art." *Hunt* v. *Mallinckrodt Chemical Works*, 177 F.2d 583, 585 (2d Cir.) (per L. Hand, J.); *McCullough Tool Company* v. *Well Surveys, Inc.*, 343 F.2d 381, 395 (10th Cir. 1965), *cert. denied*, 383 U.S. 933, *rehearing denied*, 384 U.S. 947 (1966). "[T]he certainty which the law requires in patents is not greater than is reasonable, having regard to their subject-matter." *Minerals Separation, Ltd.* v. *Hyde*, 242 U.S. 261, 270 (1916).

The patent before us does not disclose merely an improvement upon a prior art. Uniroyal's disclosure

opened up a new art. It constituted a generic discovery of an entirely new use for an existing composition. Prior to this disclosure there was no chemical known to man as being capable of inhibiting the growth of plants without injuring them. Dr. Naylor, who had been working with growth substances since 1936 and had screened between 1,600 and 1,800 chemical compounds on plants, testified that Uniroyal's disclosures of the composition's uses were outside his experiences with growth substances. After testing the composition on a variety of plants, he published an article in which he stated:

> "The response to maleic hydrazide of all eleven species tested is quite different from their response to any other known substance. This is true in degree and kind. Results thus far obtained show reaction to maleic hydrazide is remarkably uniform from species to species. Within the concentration range used the effects were strikingly similar for plants as distantly related as grasses, legumes, composites, and nightshades. With hormone-like compounds such uniformity in response is not encountered." Naylor and Davis, "Maleic Hydrazide as a Plant Growth Inhibitor," 112 *The Botanical Gazette* 112, 122 (Sept. 1950) (Def's Ex. BA)

Others skilled in the art were similarly excited by the possible applications for the compound, once its new use had been disclosed, and a substantial amount of scientific endeavor was prompted by defendant's discovery. See fn. 9. Its practical commercial application to tobacco has been termed, by a grateful farmer, "a miracle." Claims and the specification with respect to such a basic discovery are entitled to liberal construction.

Ansul's contention that the specification here fails to support Claim 7 is based essentially on the fact that the patent discloses only nine examples, involving treatment

of a few plant species with certain concentrations, salts and wetting agents in contrast to the countless varieties of salts, wetting agents, concentrations, dosage rates, etc. that might be required to make use of the disclosed invention in the treatment of the thousands of other plant species. Ansul argues that the disclosure is inadequate, since the same concentrations, timing and dosage rates will produce widely varying results in different plant species (ranging from no effect at all to killing), and changes in wetting agents, salts and other variables will also produce equally variable consequences.

The necessity for conducting experimentation or preliminary tests to determine the successful application of an invention, however, will not invalidate a patent, provided one skilled in the art could determine and select the necessary experiments or tests without unreasonable difficulty. As was long ago recognized in *Mineral Separation Ltd.* v. *Hyde*, 242 U.S. 261 (1916), the standard is one of reasonableness, having due regard to the nature of the invention and the state of the art. There the Supreme Court was faced with a claimed discovery relating to "improvements in the concentration of ores, the object being to separate metalliferous matter, graphite, and the like from gangue by means of oils, fatty acids, or other substances which have a preferential affinity for metalliferous matter over gangue." *Mineral Separation* v. *Hyde*, *supra* at 263. In upholding the patent the Supreme Court stated:

> "Equally untenable is the claim that the patent is invalid for the reason that the evidence shows that when different ores are treated preliminary tests must be made to determine the amount of oil and the extent of agitation necessary in order to obtain the best results. Such variation of treatment must be within the scope of the claims, and

> the certainty which the law requires in patents is not greater than is reasonable, having regard to their subject-matter. The composition of ores varies infinitely, each one presenting its special problem, and it is obviously impossible to specify in a patent the precise treatment which would be most successful and economical in each case. The process is one for dealing with a large class of substances and the range of treatment within the terms of the claims, while leaving something to the skill of persons applying the invention, is clearly sufficiently definite to guide those in the art to its successful application, as the evidence abundantly shows. This satisfies the law." (pp. 270-271)

Like the "ores" in *Mineral Separation Ltd.*, the wide variety of "plants" that can be effectively treated with MH dictates that if this remarkable new generic discovery was to be given any meaningful patent protection, it would be necessary to allow a fairly broad claim, even though "a skilled man might find it necessary to make several tests or trials before arriving at success," *A. B. Dick Co.* v. *Barnett*, 288 Fed. 799, 801 (2d Cir. 1923). "[T]he existence of an inescapable area of uncertainty is not sufficient justification for denying to the patentee the fruits of his invention," *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, *supra* at 136. Our task, therefore, is to decide whether the "language is as precise as the subject matter permits," *id.* at p. 136, and whether the "area of uncertainty" is so excessive as to place an unreasonable burden upon one skilled in the art who seeks to apply the discovery in a specific situation.

Demonstrating outstanding skill as a trial lawyer, Ansul's counsel adduced much evidence with respect to the 916 patent's uncertainties, its paucity of detail, and specific problems faced in attempting to practice the invention,

all of which tended to show that extensive exploratory experimentation involving replication of treatments was required, in view of the variable biological responses of different plants and even of the same plant at different growth stages. This evidence fell into two main categories: (1) opinion testimony by experts who had not themselves engaged in broad experimentation, and (2) experience recorded in Uniroyal's files, principally in the form of correspondence with the many independent research workers to whom Uniroyal sent samples of MH with instructions in an effort to gain additional knowledge as to possible practical commercial uses for the product.

In general Ansul's experts were of the opinion that the information furnished in the 916 patent was wholly inadequate to enable one skilled in the art to select and determine, out of countless possibilities, the concentration, dosage rate, timing, salt and wetting agent that would produce a desired result in the MH treatment of a particular species or variety of plant. Dr. Wayne C. Hall, for instance, a plant physiologist who tested MH on a very limited basis (and without using the 916 patent as a guide), found that it had varying effects on different species of grasses, inhibiting the growth of some, killing others, and turning one species (St. Augustine) yellow;[16] and that MH was not suitable for preventing sucker regrowth in cotton, although it was found to reduce such regrowth when used in concentrations above 3,000 p.p.m. Furthermore, as he reads the 916 patent, it teaches only the inhibition of primary growth (i.e., growth in height of a plant, from the apical meristem), and not of secondary growth (i.e., lateral growth from the axillary buds), which is distinct

[16] Dr. Hall's testimony was to some extent inconsistent with Ansul's instructions on its own brand of MH, called "Retard," to the effect that the product is used "for controlling growth of grass, trees, shrubs and ivy."

in the field of plant physiology, since the examples in the patent were all young plants that had not yet reached the stage where they would have secondary or axillary growth. He further criticized examples in the 916 patent as not having been conducted according to recognized scientific procedure because data was based on experiments with a single plant whereas the proper basis would be treatment of several plants, in view of normal biological variability. As for the commercial success experienced in controlling tobacco plant suckers and sprouting in potatoes and onions, Dr. Hall noted that no mention is made of tobacco, potatoes or onions in the 916 patent, and there is no disclosure of the procedure to be followed in treating them.

Ansul's expert in the field of chemistry, Dr. Herman B. Wagner, also opined (without any actual experience in testing MH salts) that certain salts of the dione would be inoperative in producing the results claimed by the patent, since such salts would not function biologically, or they would even be antagonistic to the dione (e.g., mercury salt). Similar expert opinion was introduced to the effect that not all wetting agents would function with MH, some of them being biologically incompatible with it. It was further shown that under arid conditions MH acts erratically.

Memoranda, reports, and correspondence from Uniroyal's files dating back to the early MH testing period were offered to show that there was a time when some plant physiologists believed that certain plants (e.g., cotton, peas, beets, carrots and cabbage) were not affected by or susceptible to MH at all. Furthermore, although MH was originally visualized as useful in dwarfing fruit trees, side effects rendered it useless for this purpose, and it was found to have an adverse effect on some crops.

In reply, Uniroyal offered expert testimony and experimentation records showing that the difficulties posed by Ansul are grossly exaggerated and that one skilled in the art, once armed with the knowledge disclosed by the patent,

could apply its teachings to any plant species by following routine testing procedures and experiments usually required to determine the most successful treatment for a particular plant.

After careful review and appraisal of the evidence offered by both sides, we are persuaded that the disclosures of the 916 patent, while perhaps meager in some respects, were adequate to support Claim 7. We start with the established fact that at the time when the 916 patent issued it was generally recognized by those skilled in the art that different plant species, and even different varieties within a given species, would have differing sensitivities to a given chemical such as MH; that a plant's response would vary with changes in concentration and timing; that some plants would (because of their well known tougher cellular composition or waxier surface) require wetting agents and salts that would penetrate more effectively than those required by others; and that while some salts, wetting agents and methods could technically fall within the scope of the 916 patent, they would not normally be used for the purpose disclosed by one skilled in the art to which the patent is directed. Ansul underestimates the state of the art known to the plant physiologist seeking to apply the patent's teachings. The patent revealed that the compound was effective on the two broad plant classifications, the broad leafed or dicots, and the narrow leafed, or monocots. It did not limit the disclosure to inhibition of primary growth. It referred simply to "growth," which would encompass both primary and secondary, and its examples contemplated inhibition of both. It disclosed measurements of primary growth of tomatoes, and referred to inhibition of flowering and fruiting, which is secondary growth. Although it did not specifically refer to potatoes, onions or tobacco, it did refer to tomatoes which are of the same family, the solanaceae (nightshade).

The ultimate answer to Ansul's contention lies in the testing conducted by research personnel to whom Uniroyal furnished samples of the MH compound with disclosures as to its new use. With astonishing rapidity they used the new discovery and teachings in routine experiments, featuring routine screening techniques, to develop practical uses for the product. None of this would have occurred, of course, if it had not been for Uniroyal's disclosure of the basic secret with sufficient information for researchers to use the compound in their regular sampling procedures. Dr. Naylor, who used the chemical to inhibit the growth of tobacco suckers, had no trouble applying MH for this purpose once Uniroyal provided him with the chemical and disclosed that it could be used to inhibit the growth of plants. As one skilled in the art, and interested in the problem of tobacco suckering, he immediately saw the chemical's use for solving that problem. After Uniroyal's disclosure all that Dr. Naylor needed to do to refine the use was to have his undergraduate class run routine screening tests.

Dr. Wittwer, who developed the other major commercial use for the compound, prevention of sprouting of onions, likewise encountered no difficulty in applying MH toward this end after Uniroyal disclosed to him that the composition could inhibit the growth of plants. He testified that his "first experiment was a perfect experiment" and that since that experiment nothing new has been learned about treating onions with this chemical to prevent sprouting.

In the face of such substantial evidence of the minor experimentation needed to perfect the use of the compound, once its generic use had been disclosed, we find that the specification of the 916 patent reasonably "enable[s] any person skilled in the art to which it pertains, or with which it is most closely connected, to make and use the same. . . .", 35 U.S.C. § 112, and that it adequately supports Claim 7, which claims the method for treatment of growing plants

with the dione "and its salts in a concentration and amount sufficient to alter the growth characteristics of said plants." See *Binks Mfg. Co.* v. *Ransburg Electro-Coating Corp.*, 281 F.2d 252, 256-257 (7th Cir. 1960); *Merck & Co.* v. *Chase Chemicals Co.*, 273 F. Supp. 68, 75 (D.N.J. 1967); *Yosemite Chemical Company* v. *United States*, 360 F.2d 948, 951-952 (Ct. Cl. 1966).

Ansul's contention that the language of Claim 7 is so broad as to constitute invalid overclaiming must also be rejected. The Patent Office specifically required the patentee to use the words "in a concentration and amount sufficient," believing that these words would cure the claim which, without them, had been rejected as too broad. Admittedly the term "growth characteristics," could cover growth promotion as well as inhibition and, unlike the language used to teach the method of application, the description could have been limited to exclude such a possible effect. But growth inhibition is not the composition's only effect, it also can be used to prevent growth, kill, or cause formative effects. Under such circumstances, it cannot be said that the claim was "intentionally drafted to obtain a statutory monopoly broader than seems to be justified." *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 258 F.2d 124, 135 (2d Cir.), cert. denied, 358 U.S. 884 (1958). In light of our conclusions, *supra*, as to the generic character of this invention, it appears to us more logical to limit the ambiguous term "growth characteristics" by the specification's disclosures, which in no way indicate to one skilled in the art that the composition is capable of growth promotion.

It is true that the term "salts" in Claim 7 covers an infinite number of compounds, not all of which have been shown to be operative with the dione; and there was evidence to the effect that the mercury salt of maleic hydrazide does not possess growth inhibition activity. On the other hand, those skilled in the art to which the patent is

directed would *not expect* all of the possible salts of the dione to be operative for the purposes disclosed in Claim 7, and many would be excluded as a matter of common knowledge in the art. The fact that a claim may include salts that are inoperative for the uses claimed does not necessarily call for its invalidation. *Yosemite Chemical Company* v. *United States,* 360 F.2d 948, 951-952 (Ct. Cl. 1966). The law is not blind to the problems faced by a patentee in a situation of the type presented here. Against the policy in favor of precise claiming we must balance that encouraging early disclosure, particularly of major developments. If we were to hold Claim 7 invalid because of the use of the term "salts," this advance in the art would probably still be undisclosed because of the infinite number of salts that the patentee would have to test before being willing to make his disclosure. On the other hand, the evidence amply indicated that those skilled in the art had no difficulty in relying on their skill to determine which salts of the dione they should use. No substantial or difficult experimentation was required for this purpose; the specification served as an effective teacher and it was well known in the art that certain salts would be toxic or prevent absorption of the dione by the plant. Consequently, as to those to whom the patent was directed, the term "salts" was not too broad. Under such circumstances, "[t]he inventor is not to be deprived of the fruits of his labor by too technical a requirement of disclosure, and it is adequate for purposes of validity if his claims are sufficiently clear and exact to be understandable by those skilled in the relevant art." *Yosemite Chemical Company* v. *United States, supra* at 952.

If Claim 7 had been limited to a few specific salts, as Ansul argues that it should have been, we would apply the doctrine of equivalents to prevent an infringer from using another salt of the dione for the purposes disclosed in the patent. It would be anomalous, therefore, to strike down this patent because it broadly claims an area which,

if narrowly claimed, would have been the subject of a grant of monopoly to the patentee under the doctrine of equivalents. *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 258 F.2d 124, 137 (2d Cir.), *cert. denied*, 358 U.S. 884 (1958).

The Discoveries of Drs. Naylor, Wittwer and Crafts

Ansul next argues that Claim 7 is invalid under 35 U.S.C. § 102(g) as an attempted appropriation of the discoveries of Drs. Naylor, Wittwer and Crafts, three plant physiologists to whom samples of defendant's product had been sent just prior to the filing of the patent application in April of 1949. In conjunction with this argument Ansul also argues that as the patent does not mention what have become the major commercial uses of maleic hydrazide, controlling the suckering of tobacco and the sprouting of potatoes and onions, then the patent cannot be construed to cover these uses. These arguments are without merit.

Merely because the patent does not specifically refer to tobacco, onions or potatoes, Uniroyal does not lose patent rights with respect to treatment of these plants, since the patent discloses a basic invention. Dr. Naylor, who developed the use of maleic hydrazide on tobacco and who was defendant's expert witness in this proceeding, conceded that he extended and applied what was disclosed to him by Uniroyal when it provided him with a free sample of the product and a description of its "growth regulant" properties. Dr. Wittwer's application of MH to onion sprouting was also but a logical extension thereof. If the patent's claims had been limited to MH's effect on tomatoes (the original plant upon which its unique properties were observed), we would have applied the doctrine of equivalents to find that the patent also covered the use of the product for growth regulation on tobacco, onions and potatoes. Consequently, what may be called the doctrine of "reverse equivalents," under which the broader claim in-

cludes the lesser subject matter, would apply in this case to place the uses of the composition on these latter plants within the patent's protection. *See Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 258 F.2d 124, 137 (2d Cir.), *cert. denied*, 358 U.S. 884 (1958).

Even accepting *arguendo* Ansul's argument that the original April 1, 1949 filing date was abandoned in favor of July 20, 1949 (the date of filing of the continuation-in-part) as the presumed date of invention, the actual invention predated April, 1949. Uncontradicted testimony and records of defendant provided convincing evidence that the unique properties of MH were first discovered by Uniroyal's scientists in December of 1947. Thus the date of invention preceded the March, 1949 "sampling" of the product to numerous plant physiologists. At about the same time as the sampling, Uniroyal sent to these same scientists a paper by Hoffman and Schoene entitled "MALEIC HYDRAZIDE, A UNIQUE GROWTH REGULANT," which made the generic disclosures that provided the impetus to the three developments or extensions now urged by plaintiff as prior inventions. Upon all of the evidence we find that the generic invention was made by Uniroyal's scientists prior to March, 1949. See *Rooted Hair, Inc.* v. *Ideal Toy Corp.*, 329 F.2d 761, 767 (2d Cir.), *cert. denied*, 379 U.S. 831 (1964). Since Dr. Naylor's application of MH to tobacco did not occur until April 19, 1949 (though he may have conceived the experiment in late March of that year) and his discovery was well within the scope of the patentee's disclosures, his application of the disclosures can in no way be said to invalidate Claim 7.

Dr. Crafts, a short time prior to May 20, 1949, found that the composition had phytocidal (herbicidal) properties. Though it may be argued that Uniroyal did not specifically claim and disclose these properties in its original April, 1949, patent application, defendant first discovered MH's herbicidal use. In his original report on the discovery of the chemical's use, Dr. Tate listed it under

"Herbicides." Tests begun by Uniroyal in 1948, which were not completed until early April 1949, revealed its phytocidal properties and this is confirmed by Hoffman's letter of April 19, 1949, warning experimenters that the chemical could kill grasses when used in certain concentrations. We find that Uniroyal's scientists first discovered these properties, which were not at all surprising to those skilled in the art in light of defendant's first disclosures, and that Uniroyal did not wrongfully appropriate the findings of Dr. Crafts.

Ansul next argues that Claim 7 must be invalidated on the ground that Dr. Wittwer was the first to conceive of the idea of using MH to *permanently* prevent the sprouting of onions in storage. It is true that the instruction sheet sent by Uniroyal to Dr. Wittwer in March of 1949 emphasized that the composition had a *temporary* inhibiting effect on plant growth, and thereafter he started experimenting with onions before Uniroyal, in its July 20, 1949 continuation-in-part application, disclosed that MH could "be used to *prevent* growth." But Uniroyal's early March, 1949, paper pointed out that "[t]he length of inhibition period appears to be directly proportional to the concentration used." Furthermore, the novelty of the inventors' original discovery and breadth of their disclosures were sufficient to embrace Dr. Wittwer's minor variation and application of MH [17] to onions.

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[17] Though Dr. Wittwer testified that he conceived of experimenting with the use of MH on onions in the spring of 1949, shortly after receiving the sample and disclosure from defendants, no evidence was presented indicating that at that time he knew the chemical composition would permanently inhibit the sprouting of onions. He did not apply the chemical to the onions until mid-August, 1949, well after patentee's July patent application which specifically disclosed growth prevention. Not until March 2, 1950 can it be said that Wittwer observed that MH had prevented sprouting on onions. Until that date it cannot be said that Dr. Wittwer had any more of a "conception" about the utility of MH for this purpose than he did about the many other chemicals he had tested for sprout prevention.

An inventor who discovers a basic new use is not required specifically to disclose, or even be aware of, all the uses of his invention. *B. G. Corporation* v. *Walter Kidde & Co., Inc.*, 79 F.2d 20, 22 (2d Cir. 1935). Despite the discoveries by others of variations on the patentee's invention, the significant invention will receive patent protection to encourage the type of sampling and disclosures which occurred here. Patents are granted to encourage the ready availability of new knowledge to the public. If defendant were to lose his patent in this case because of his disclosures, we would be defeating the very policy behind the patent laws. We find that the validity of Claim 7 is in no way affected by Dr. Wittwer's experiments.

The 916 Patent Covers MH-30

The parties have stipulated that if Claim 7 is held valid (and we so hold), it will be deemed infringed by plaintiff and plaintiffs-interveners if it is also found to cover Uniroyal's commercial product MH-30. Ansul contends that it does not because Uniroyal's commercial product largely consists, as does Ansul's, of a salt of 6-hydroxy-3(2H)-pyridazinone (6-hydroxy) while Claim 7 relates to the use of the dione and its salts. However, since we find that the patent properly claimed 6-hydroxy as well as the dione, Claim 7 has been infringed.

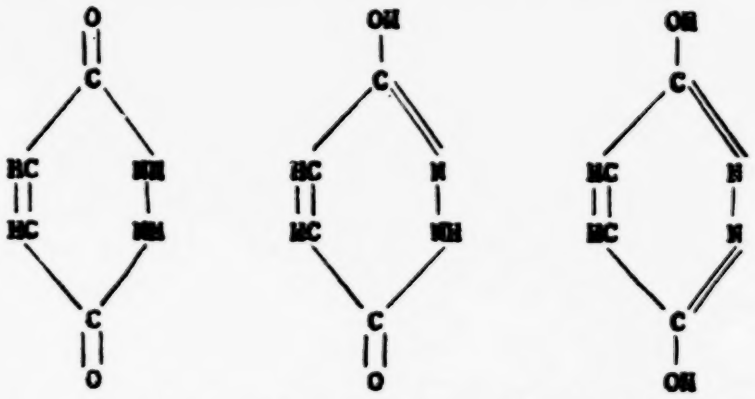
The empirical formulas for the dione and the 6-hydroxy are identical, $C_4H_4N_2O_2$. See fn. 1. Consequently, these two compounds are what is known in the chemical art as isomers. Though isomers have different structural formulas and can be distinctly different compounds, some isomers spontaneously convert into other isomers until a composition that originally could be identified as one compound has reached an equilibrium mixture of the original compound and an isomer thereof. When isomers behave in this fashion, they are known in the art as tautomers.

Opinion on Patent Validity and Infringement Issues

The phenomenon of intraconversion between two or more isomers which reach an equilibrium mixture where all are present in proportions determined by nature is known as tautomerism. It is a phenomenon that has been known to the chemical art since approximately 1910.

Uniroyal contends that though Claim 7 of the patent refers to the dione, it also covers the 6-hydroxy because the first column of the patent discloses to those skilled in the art that the term dione is being used interchangeably to refer also to the 6-hydroxy. The relevant portion of the 916 patent reads:

> The 1, 2 dihydropyridazine-3, 6 dione may be designated by the di-keto form, or the mono-keto form, or the mono-keto mono enol form, or the di-enol form of structural formula, respectively, as follows:



> It may be obtained by reacting maleic anhydride and hydrazine according to the procedure of Curtius and Foersterling, J. Pr. Chem. (2) 51, 371-398 (1895).

The structural formula on the left is the dione. The center formula is the structural formula for the 6-hydroxy. As is apparent these two molecules are isomers with only minor variations in bonding and atomical arrangement.

The words "keto" and "enol" used in the above portion of the patent are terms of art used by chemists when referring to tautomers. A keto form of structure would refer to a carbonyl group ("O" group), and di-keto would mean a structural form with two carbonyl groups, such as the dione structure. An enol group is an hydroxy ("OH") group, and a "mono-keto mono enol form" would refer to a structural form with one carbonyl and one hydroxy group, such as the 6-hydroxy structure. Thus the patent specifically called to the attention of those skilled in the art that when it spoke of the dione it was using the term to denote the three structural formulas shown above as well as the reaction product, MH, which is obtained by following the Curtius and Foersterling procedure.[18] It is not unusual, when speaking of tautomers, to refer to all structures by one chemical name, such as the dione, since it is not possible to give a proper chemical name to a tautomeric mixture which, by its nature, contains compounds of more than one molecular structure. Another way of referring to a tautomer is by a common or colloquial name, such as "maleic hydrazide." See fn. 2.

When Uniroyal first began the commercial sale of MH, it referred to the product by that common name and by the proper chemical name, dione. As Uniroyal became more familiar with MH, it concluded that a more accurate proper chemical name for MH would be the 6-hydroxy. Experi-

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[18] Foersterling originally identified the structure he obtained as the dione, but when he published with his professor, they used the name maleic hydrazide. The Curtius publication revealed that MH (identified by the dione structure) was not the only reaction product obtained by allowing hydrazine hydrate to react with maleic anhydride. The Curtius reference admits that the constitution of other hydrazine compounds obtained from maleic anhydride and hydrazine hydrate is "still unclarified." Note that Foersterling's and Curtius' work occurred approximately 15 years prior to the art's general recognition of the existence of tautomers.

mentation had shown that at equilibrium more of the 6-hydroxy was present than the dione. Ansul also characterizes its product as the 6-hydroxy.

Uniroyal disclosed the 6-hydroxy, and thus encompassed it within Claim 7, by using the term dione and indicating in the specification that the claimed chemical composition covered tautomers, including the dione and 6-hydroxy. When a patentee so defines terms

> "[T]here is thus a clear antecedent basis in the specifications for the language used in the claims, and the sense in which the claims are to be construed is apparent. Within *reasonable* limits an applicant is his own lexicographer and words used in his claims are to be interpreted in the sense in which they are used in the specification." *Application of Rohrbacher*, 284 F.2d 531, 538 (C.C.P.A. 1960) (Emphasis added)

Uniroyal's definition was reasonable. The evidence established to our satisfaction that the dione and 6-hydroxy are tautomers (and therefore, for all practical purposes, one and the same) and that they are identical to the major components of Ansul's products. Accordingly we find that Ansul and plaintiffs-interveners have infringed a valid claim (Claim 7) of the 916 patent.

The above constitutes the Court's findings of fact and conclusions of law pursuant to Rule 52 a., F.R.C.P. Trial of the antitrust and misuse issues will commence promptly on Tuesday, July 1, 1969, at 10:00 A.M.

It is so ordered.

Appendix B

Opinion of District Court on Antitrust and Patent Misuse Issues

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

68 Civ. 2244

October 31, 1969

THE ANSUL COMPANY,

Plaintiff,

and

DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO. and TRIANGLE CHEMICAL CO.,

Plaintiffs-Intervenors,

against

UNIROYAL, INC.,

Defendant.

MANSFIELD, *D.J.*

This action arose out of Ansul's entry into the manufacture and sale, beginning in 1968, of a maleic hydrazide composition used by tobacco growers, farmers and others

to inhibit certain types of plant growth. Prior thereto Uniroyal, claiming the exclusive right to make and sell the composition pursuant to U.S. Letters Patent No. 2, 614,916 (the "916 patent" herein), was the sole source of supply. On May 31, 1968, Ansul sought a declaratory judgment to the effect that defendant's 916 patent was invalid because of failure to meet the requirements of patentability set forth in the Patent Act of 1952 (35 U.S.C. §§ 100, *et seq.*) and misrepresentations to the Patent Office, and that it was unenforceable because of Uniroyal's misuse. Ansul also sought a declaration that the patent was not infringed by it or its distributors and damages for Uniroyal's alleged violation of 35 U.S.C. § 292 by mismarking products purporting to be within the claims of the patent.

Uniroyal countered by instituting suits for infringement in several district courts in the southeastern states against various distributors of Ansul's maleic hydrazide ("MH" herein) products, Daly-Herring Company, Carolina Chemical Company, Louisville Chemical Company, Food Machinery Company and Triangle Chemical Company. At Ansul's instance we enjoined Uniroyal from prosecuting those suits. Recognizing Uniroyal's desire to have the controversy decided in a district with a less crowded calendar so that the validity of the patent might be resolved prior to its expiration date (October 21, 1969), we ordered Ansul to request its customers named in the suits brought by Uniroyal to intervene in this action, which resulted in intervention by some distributors, and ordered the parties to cooperate in seeking a speedy trial pursuant to Rule 57, F.R.C.P., and the Local Rules of this Court.

Uniroyal answered with general denials and counterclaimed for infringement of both its 916 patent and its

2,575,954 patent (the "954 patent" herein).[1] All plaintiffs filed a joint amended complaint, which contained a second cause of action on behalf of Ansul and plaintiff-interveners Daly-Herring and Louisville Chemical seeking treble damages for injuries caused by Uniroyal's alleged violations of §§ 1 and 2 of the Sherman Act (15 U.S.C. §§ 1 and 2).

In March, 1969, pursuant to Rule 42(b), F.R.C.P., and with a view to efficient and speedy resolution of the issues raised, we separately tried the validity and infringement issues, following which we held invalid the 916 patent's claim to the MH composition itself (Claim No. 1) and upheld the validity of the method claim (Claim No. 7) for use of MH products to regulate the growth of tobacco and other plants. We also found that Claim No. 7 had been infringed by Ansul and plaintiff-intervenors' sales of Ansul's MH products for use in regulating the growth of plants. See *Ansul* v. *Uniroyal,* 301 F. Supp. 273 (S.D.N.Y. 1969).

Our decision left for trial (1) Ansul's contentions that Uniroyal's patent was unenforceable because of misuse of the patent and fraud on the Patent Office, (2) Ansul's claim that defendant violated 35 U.S.C. § 292 by labeling of its patented products with four patent numbers, two of which were inapplicable, and (3) the treble damage claims of Ansul, Daly-Herring and Louisville Chemical. These issues were tried during most of July and part of early August of this year. For the reasons set forth below we hold that because the patent has been misused by Uniroyal

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[1] The 954 patent covered a process for the manufacture of the chemical composition which is the subject of the 916 patent. The parties have reached agreement with respect to the 954 patent and it is no longer involved in this action.

and the misuse has not been purged or dissipated, the patent is unenforceable. All other claims are dismissed.

Before turning to the issues, a summary of certain essential background facts with respect to Uniroyal's marketing of its MH products from 1960 to date is essential. The principal such product is a composition of the diethanolamine salt of MH with a wetting agent, which is sold by Uniroyal under the trade name "MH-30." "MH-30" is used by tobacco growers to prevent tobacco sucker growth and by farmers to prevent sprouting of potatoes and onions. Ninety percent of the MH-30 sold by Uniroyal has been marketed by it for the former use in the so-called "tobacco belt" in the southeastern states (North Carolina, Virginia, South Carolina, Georgia, Kentucky and Tennessee). This constitutes the major commercial use of the product, and though Uniroyal also manufactures an identical product named "SLO GRO" which is used to control the growth of grass, trees, shrubs and ivy, the important issues here, as well as most of the facts brought out on trial, involved the marketing of MH-30.

For some years prior to 1960 Uniroyal sold the chemical MH (more technically known as 6-hydroxy-3 (2H)-pyridazinone) to formulator-distributors who, pursuant to directions furnished by Uniroyal, converted the composition (a dry powder about 98% MH) into the diethanolamine salt of MH with a wetting agent[2] and sold it under Uniroyal's registered label as "MH-30". This earlier system of marketing proved unsuccessful because of widespread drastic price-cutting that developed as a result of competition between formulators, making the item so unprofitable that some refused to handle it and Uniroyal sales personnel urged that "drastic measures be taken to stop such practices of price cutting" (PX 608).

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[2] The chemical terms discussed herein have been defined and discussed in this Court's prior opinion, Ansul Co. v. Uniroyal, Inc., 301 F. Supp. 273 (S.D.N.Y. 1969).

Opinion on Antitrust and Patent Misuse Issues

Beginning in early 1960 Uniroyal changed its marketing methods; it ceased selling technical MH to formulator-distributors and, instead, itself manufactured the finished formulated composition which it thereafter sold under the trade name "MH-30" or "SLO GRO" to distributors. The latter resold the finished product to dealers who, in turn, resold it to the end user. In the case of MH-30 the end user would be the tobacco grower or farmer, whereas SLO GRO was to be sold primarily to golf courses, utility companies, cemeteries and state highway departments.

Uniroyal's primary objective in discontinuing sale of technical MH in 1960 to formulators and substituting its system of selling finished MH-30 through distributors and dealers was to gain greater control over the MH-30 market and thereby establish price stability in lieu of the rampant price-cutting that had characterized the earlier system of selling MH to formulators who had then sold the MH composition formulated by them at prices independently established by each. This earlier marketing method had amounted to a relinquishment of the potential market control inherent in Uniroyal's patent. Under the new market program by selling only the finished product Uniroyal was in a better position to control prices, since its patent entitled it to exclude all others from manufacture and sale of MH-30 for purposes of regulating plant growth. Since it was the sole source of MH-30, it would not take much influence to convince a distributor that he should maintain Uniroyal's "suggested" resale prices and, to a lesser extent, convince a dealer to do likewise. In view of Uniroyal's patent monopoly its "suggestion" would amount almost to a command, once it indicated that failure to adhere to such "suggested" resale prices might result in the distributor being cut off or having its supply reduced. No alternative source

of the patented MH-30 was available from any competing suppliers. Thus by virtue of its 916 patent Uniroyal enjoyed a command position in the market.

A second but subordinate reason for adoption of the new marketing program in 1960 was to impede a campaign launched by various leading tobacco companies against the use of MH-30 on the ground that it adversely affected the chemical and physical and smoking properties of tobacco. Apparently MH-30 reduced the tobacco leaf's nicotine content, a goal now sought in view of increasing evidence of a connection between nicotine content and cancer but thought undesirable in the early 1960's In addition, tobacco companies objected to MH-30 on the ground that it caused tobacco to pack in such a manner that cigarette manufacturers had to use more tobacco per cigarette. From 1959 until 1963 the tobacco industry supported legislation seeking to ban the use of MH-30 and threatened to boycott tobacco which had been treated with MH-30. The latter threat particularly bothered Uniroyal, for if use of the product was concentrated in any one geographical area, the tobacco companies' boycott would be more effective than if use of MH-30 were dispersed throughout the entire tobacco belt.

To counter this threat Uniroyal believed it advisable to limit and allocate the supply of MH-30 so that no more than 30% of the tobacco acreage in any one county would be treated with the chemical, and thought it imperative that the end sellers of MH-30, the dealers, be required to educate farmers in the use of the product so that no misapplications of the chemical would result in destroying a tobacco field and inhibiting the product's acceptance. To encourage this type of special-service dealer to handle and sell MH-30, Uniroyal's management realized that dealers (and distributors) holding educational meetings for the farmers must be adequately compensated. However, it feared that the price instability and low rates of return that had

prevailed in the late 1950's would discourage dealers from making the extra effort needed properly to service the MH-30 users.

In launching its new marketing program in 1960 Uniroyal did not limit itself, however, to an education campaign or to restrictions upon the amount of MH-30 that would be furnished to distributors in the tobacco belt area. In addition it sought to control the price at which MH-30 would be sold by distributors to dealers and by dealers in turn to farmers. This was accomplished through the devices of "suggested resale prices" and restrictions as to the territory within which each distributor would be permitted to sell MH-30 and the classes of customers to whom MH-30 could be resold. These marketing devices, in turn, were implemented through various policing measures. Distributors and dealers were exhorted by Uniroyal to adhere to the suggested resale prices. Threats were made to cut off or reduce the supply of MH-30 to non-complying distributors. Some distributors were actually cut off or discontinued by Uniroyal. Others were induced to refuse to supply MH-30 to price-cutting dealers. The prices charged by distributors and dealers suspected of reducing prices below those suggested by Uniroyal were "tracked" or verified by Uniroyal representatives. Deliveries of MH-30 by distributors suspected of shipping outside of their specified territories were traced and MH-30 containers were marked with coding letters in order to facilitate the identity of violators.

Beginning when the new marketing program was initiated in 1960 and continuing thereafter through the year 1968, Uniroyal entered into annual written contracts with each of its authorized MH-30 distributors, which designated the area in which each distributor was expected to sell MH-30. Usually the area specified in the contract coincided with that in which the distributor normally marketed related products, such as fertilizers and farm

equipment, but in many cases the designated area did not include portions of the distributor's normal market territory. Although the contract provided that the distributor would "purchase for sale in the area specified hereafter" (PX 601), and did not expressly exclude resale of MH-30 elsewhere, the evidence is abundantly clear that the parties intended the distributor to restrict itself to sales within the designated area. For instance, there were numerous instances where Uniroyal denied applications by distributors for permission to sell MH-30 outside of the area specified in their contracts, or to enlarge the area specified in their contracts, even though in some instances the distributor seeking permission maintained sales staffs and facilities in the territory for which permission was sought (e.g., Olin Mathieson Chemical Corp., Niagara Chemical Division of FMC, Chevron, Agway and Miller Chemical Co.). The accepted construction placed upon the written contracts is succinctly expressed in distributor Olin Mathieson's inter-office memorandum dated January 13, 1961 (PX 998B), produced for unexplained reasons from Uniroyal's own files rather than Olin Mathieson's, which stated:

> "OMCC [Olin] will be allowed to sell MH-30 in the Carolinas and Virginia *only*. (We are still fighting for Georgia)." (Emphasis added)

Numerous witnesses and records establish that Uniroyal's purpose was to restrict each distributor to the territory specified in his contract. For instance, in a memorandum dated February 8, 1966 (PX 643) Thomas D. Ramsey, Uniroyal's Regional Sales Manager for District 3 (later 13), the tobacco belt area in which 90% of the sales of MH-30 were made, wrote "that the territory assignments as specified in the contracts should be upheld and observed".

Thus Uniroyal's designation of territories in contracts with distributors was not intended merely to insure that distributors would actively market MH-30 within the area specified. Such a system of restricting distributors to their specified areas and preventing sales to dealers elsewhere, would, of course, be helpful in combatting the anti-MH-30 efforts of the tobacco companies by enabling Uniroyal to avoid concentration of large amounts of MH-30 in any particular area and require each distributor to provide an educational program for tobacco growers within the specified area. However, the same system would also enable Uniroyal to minimize the likelihood of price-cutting that could develop if some distributors shipped large amounts of MH-30 into other areas at low prices for a quick profit.

Most sales of MH-30 were made by Uniroyal to the trade during the tobacco growing season, which normally runs from April or May to September of each year. However, Uniroyal usually entered into its annual contracts with its distributors at the beginning of each calendar year. At the same time it furnished to the distributors a printed MH-30 price list showing three prices: (1) Uniroyal's price to the distributor for each of the four package sizes of MH-30, (2) a "suggested wholesale price" (distributor's price to dealer), and (3) a "suggested retail price" (dealer's price to farmers or growers). For instance, from 1960 to 1967 Uniroyal's price to the distributor for the one-gallon container of MH-30 was $12.50, the suggested wholesale price was $15.50, and the suggested retail price $17.25 (DX AC).

From the inception of its use of these price lists Uniroyal made it clear to distributors that the word "suggested" actually meant "required," that distributors were expected to adhere to the resale prices specified in the price lists and require their dealer-customers to adhere to the retail prices, and that if they did not do so they

would face serious consequences, such as discontinuance as a Uniroyal distributor when the time came for the renewal of the distributor's annual contract. Uniroyal sales representatives told MH-30 distributors in no uncertain terms that they were expected (1) to follow the pricing schedule, (2) to see that their dealers observed the suggestd retail prices in reselling MH-30 to farmers, and (3) not sell MH-30 to customers located outside of their specified territory.

Some distributors and dealers were cooperative from the outset in observing the resale prices stated in Uniroyal's suggested resale price lists, usually because they considered resale price maintnance, with its assured profit, to be in their own self interest.[3] Where a distributor balked, however, or was the subject of complaints by others that he had engaged in price-cutting or in sales outside of his specified area, he was reminded by Uniroyal's representatives that his contract would expire at the end of the current year and that if he persisted in price-cutting or in selling outside of his area, his contract would not be renewed and he would be discontinued as a distributor. In order to prevent distributors from reselling MH-30 to dealers who cut prices or otherwise refused to cooperate in implementing Uniroyal's marketing program, Uniroyal also required distributors to submit to it the names of their dealers for approval, and distributors agreed not to sell MH-30 to dealers not on Uniroyal's "approved dealers list" or who had been blacklisted, i.e., dropped from the approved list.

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[3] Since the total amount of MH-30 that can be sold for use by tobacco growers is limited by the size of the tobacco crop, the market is a relatively inelastic one, so that price reductions would not normally achieve a substantial permanent increase in the price-cutter's market share. In a free competitive market any such price reduction would be met immediately and each distributor and jobber would fail to gain any substantial increase in his share of the market as a result of cutting price.

Hand in hand with its program of persuading or threatening distributors to adhere to the pricing and territorial restrictions, Uniroyal's sales representatives regularly visited dealers, even though it did not sell MH-30 to dealers directly, and tried to persuade each dealer that it was "to his best interest to adhere to our suggested pricing" (Adm. 129, Tr. 932-933, 945). This method of implementing Uniroyal's policy is attested to by salesmen's reports regarding visits to dealers (e.g., "policy was carefully explained to each dealer. Some of them don't care for the idea of holding price" (PX 629): "May have to watch them [certain dealers] very closely concerning 'price policy' late in season" (PX 704); "The LaFolette dealer worried about price cutting by a competitor. . . . Need to work out a program between these two districts so that we can better control these dealers" (PX624).

Uniroyal's organized efforts to secure adherence on the part of dealers to its suggested MH-30 retail prices was confirmed by various dealers. For instance, J. B. Cobb, a Kentucky dealer, testified that he was importuned by three distributors and by Felton Byrd, a Uniroyal salesman, to adhere to its suggested resale price, and that when he engaged in price-cutting, he was blacklisted, with the result that he had considerable difficulty thereafter obtaining supplies of MH-30. Similar testimony was given by various other dealers, including John Caudill, David Dunnavent, E. G. Thompson, and G. McCauley. Even after allowing for exaggeration because of bitterness resulting from having their supply of MH-30 cut off or seriously restricted, we are persuaded by their testimony, particularly since it is confirmed by other proof and memoranda from Uniroyal's own files.

Nor did Uniroyal stop at use of persuasion or threats to distributors or dealers. It actually discontinued some distributors; it took steps to prevent MH-30 from being

supplied to certain dealers and it resorted to various policing measures that proved quite effective in inducing distributors and dealers to hew to its line. Several distributors were discontinued during the period from 1960 to 1964, either because they failed to adhere to the resale price schedules furnished by Uniroyal or to limit their sales to the territory specified in their contracts.[4] These

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[4] In early 1960 Woolfolk Chemical Company, Ft. Valley, Ga., an MH-30 distributor, was notified by Ramsey that since it had engaged in cutting prices, it was being cut off. Thereafter Woolfolk was restricted to purchases of up to 500 gallons of MH-30 until Uniroyal would regain confidence in it. PX 734.

At the end of the 1961 tobacco growing season Olin Mathieson Chemical Corporation, a Uniroyal distributor entitled to sell MH-30 in North Carolina, South Carolina and Virginia, was discontinued by Uniroyal because it had sold MH-30 to dealers below Uniroyal's suggested resale price and had made sales outside of its assigned territory. When Olin thereafter attempted to purchase MH-30 from Maxwell, another MH-30 distributor, Uniroyal salesmen persuaded Maxwell not to sell to Olin.

In December 1962 Graham Chemical Company, an MH-30 distributor authorized to sell MH-30 in parts of North Carolina and Virginia, but not in other areas of Virginia where it sold other agricultural chemicals, was cut off by Uniroyal as an MH-30 distributor for the reason that it had made sales of MH-30 below Uniroyal's suggested resale prices, including sales to dealers who were not on the approved list, such as Smith Seed of Danville, Virginia. Uniroyal also accused it of selling MH-30 to sub-distributors, i.e., companies not directly authorized by Uniroyal to distribute MH-30. We reject defendant's contention that Graham was cut off primarily because of credit problems. The record reveals an entry made by Uniroyal's credit department on September 10, 1962, to the effect that Graham's credit was satisfactory and the damaging evidence that Ramsey then arranged to have planted in November 1962, just before Graham was discontinued. Furthermore, after it was discontinued in December 1962 Graham wrote a letter to Uniroyal in January 1963 offering to pay in advance for shipments. This sequence of events renders Ramsey's testimony suspect, at least on this issue.

distributors then obtained some shipments, amounting to much less than their regular supply, from other MH-30 distributors at higher prices than Uniroyal's regular price to distributors. However, many distributors refused to supply MH-30 to distributors who had been cut off by Uniroyal for fear of themselves being discontinued or terminated as MH-30 distributors. The record reveals that despite numerous requests for reinstatement, most of the distributors terminated by Uniroyal were not reinstated by Uniroyal.

Uniroyal likewise caused price-cutting dealers to be blacklisted so that its regular distributors, after being informed by Uniroyal salesmen that such dealers were not on Uniroyal's approved list, discontinued sales of MH-30 to them. As a result these dealers were limited to obtaining sporadic supplies of MH-30 from others with great difficulty and at higher prices than they would normally pay to their regular distributor. For instance, in the summer of 1962 Uniroyal salesman Felton Byrd advised Louisville Chemical that a dealer named Carroll County Tobacco Warehouse had been removed from the approved list because of its sales of MH-30 below suggested resale prices, with the result that Louisville Chemical, which had sold MH-30 to Carroll County Tobacco Warehouse, discontinued further sales to it. In the same year Byrd told F. Lee Rose, Jr., President of Louisville, not to sell MH-30 to dealer Crouch because Crouch was the worst price-cutter in that part of the country. When Louisville continued to sell to Crouch, Louisville itself was

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In the middle of the 1963 tobacco growing season Louisville Chemical Company, which had been a distributor of MH-30 since 1958, was discontinued by Uniroyal as a distributor because it had made sales of MH-30 to dealers who sold below Uniroyal's suggested retail price, including a dealer named Crouch, of Bethel, Kentucky, and another named Dunnavent. Despite repeated requests, Louisville was never reinstated by Uniroyal.

discontinued in the following year as a distributor. Daly-Herring, a distributor in North Carolina and Virginia, discontinued selling MH-30 to Smith Feed & Seed Co. of Danville, Virginia, after being advised by Uniroyal salesman Mishoe that Smith was a price-cutter. In 1964 E-Z-Flo, an MH-30 distributor, discontinued sales to dealer E. G. Thompson because Thompson had sold below suggested resale prices. Other examples of discontinuance of dealers because of price-cutting appear in the record.

The news of such cut offs of distributors and dealers was widely disseminated throughout the trade, and the effect of such striking examples of Uniroyal's ruthlessness, when coupled with all of the other circumstances designed to insure adherence to its program, was to deter price-cutting or sales outside of a distributor's specified territory.

Another policing device used by Uniroyal was the imprinting of code letters on each MH-30 container, which enabled Uniroyal to ascertain the source of MH-30 shipments that ended up in the hands of price-cutting dealers or outside of the distributor's designated territory. Such identification devices must be distinguished from so-called "control" numbers that enabled Uniroyal to trace the product in the event of a quality complaint. Although code letters might also have been used for the latter purpose, the evidence is abundantly clear that their function was detection of violations of Uniroyal's market policy. This purpose was flatly expressed in a Uniroyal memorandum dated April 14, 1960, shortly after the new marketing program was put into effect, as follows:

> "This will enable the Sales Department to keep a close watch on performance of the distributor, particularly should any price cutting develop." (PX 648)

In 1962 the code letter system was updated and reissued and thereafter Uniroyal continued to use it for the pur-

pose of identifying price-cutters. In later years the name of the distributor to whom each container was shipped was imprinted instead of a code letter on the container.

Distributors were acutely conscious of the purpose of this container-identification system used by Uniroyal, particularly since Uniroyal's representatives did not hesitate to explain it to them. As a result when a distributor, as would sometimes happen, shipped MH-30 to others who had been cut off by Uniroyal or to blacklisted dealers or buyers located outside of the distributor's territory, he would remove the identification for fear that if Uniroyal's representatives discovered the source of the MH-30 he would then be discontinued. Indeed his fears were well founded. On occasion Uniroyal's sales representatives resorted to dramatic means of tracing such shipments, including dressing up in farmer's clothes and making purchases of MH-30 from price-cutting dealers, posing as "custom-applicators" of MH-30 interested in buying at a discount, and engaging in surveillance of trucks making MH-30 deliveries. A striking instance of the effectiveness of these tactics is found in the case of Olin Mathieson Chemical Corporation, a distributor. In August 1961 Uniroyal picked up samples of MH-30 at the store of a price-cutting dealer, Richardson Hardware Company, and through use of the identification marks on the containers confirmed that the supplier of the material had been Olin. Two months later Olin was discontinued by Uniroyal as an MH-30 dealer.

Uniroyal's marketing program, implemented by the various methods we have described, was dramatically effective in interesting and maintaining the market price of MH-30. Immediately after the program went into effect the price of MH-30 rose in 1960 and 1961, and thereafter remained stabilized at a level that yielded a substantial profit to Uniroyal and to those involved in the

line of distribution. The success of the program was soon recognized by Uniroyal's marketing manager, Gerald Dennis, who reported at the end of the 1960 growing season "This program met with success only because through careful selection those distributors who participated wanted orderly marketing and price stability" (PX 780). Frank A. Hopkins, Vice President of Uniroyal and General Manager of its Chemical Division, testified that during the period from 1963 to 1968 the market price of MH-30 became rigid and stabilized, which was confirmed by others, including various distributors (e.g., W. Blanton of FCX and William Peele, of W. R. Peele Co.).

By 1963, and probably even earlier, the threats of boycotts on the part of tobacco companies and legislation outlawing use of MH-30 had subsided. Bills introduced into the North Carolina legislature had been defeated in 1961, and MH-30 became an accepted product in heavy demand by tobacco growers throughout the tobacco belt. To the extent that Uniroyal's marketing program was motivated in part by the desire to combat the boycotts and legislation, there was little, if any, need for it after 1963. Nevertheless Uniroyal continued it in full force and effect, since it had proved itself a very profitable method of doing business.

With the stabilization of resale prices at a rigid and artificial level, which had been achieved through the various measures taken by Uniroyal during the early 1960's, it became unnecessary to continue the policing activities at as vigorous a pace as had existed in earlier years. By 1964 the trade had learned its lesson. It was well aware of the unhappy consequences of any excessive outburst of price-cutting or violation of territorial or customer restrictions. Since Uniroyal, by reason of its 916 patent, had the right to exclude competition in the sale of MH-30, it remained the sole source of supply. For

the average distributor or dealer, to be cut off would mean an almost certain loss of substantial profits, since he would then be forced to try to obtain MH-30 on a "bootleg" basis from others in the line of distribution, usually with difficulty and at higher prices.

Having thus achieved market stability and resale price maintenance, which minimized the necessity of further policing, some of Uniroyal's executives began to have qualms about the legality of their conduct. As early as 1962 we find a memorandum written by Ramsey, Manager of Sales in the tobacco belt, where 90% of MH-30 was sold, addressed to his superior, Otto P. Steinen, Uniroyal's commodity manager for agricultural chemicals, stating "We are in violation of restraint of trade if we specify areas. Any comment?" (PX 680). No reply appears. Two of Uniroyal's most zealous policemen, salesmen Felton Byrd and Tony Mishoe, were shifted out of the tobacco belt in 1962 and 1963, respectively, and replaced by N. R. Barden, and Lloyd A. Hayner. In July 1963 Frank A. Hopkins became director of marketing for the Uniroyal Chemical Division, which included MH-30. He instructed Ramsey not to interfere with the right of distributors and dealers to determine their own prices, and in 1964 he required Ramsey to read a "Businessman's Guide" to the antitrust laws and instructed him to advise Uniroyal MH-30 salesmen not to do anything about competitive pricing between distributors.

Although Ramsey testified that he carried out these instructions from his superior, and his testimony is to some extent corroborated by that of some other salesmen, they failed to eradicate the effects on the trade of Uniroyal's earlier conduct. None of the instructions were incorporated in any written directions, formal or informal, to the sales staff. Uniroyal continued up through 1968 to distribute to the trade its annual "suggested" re-

sale prices. Furthermore it took no affirmative steps to advise the trade, including its various distributors and the dealers frequently visited by its representatives, that Uniroyal's "suggested" resale prices were not required to be followed or to have the force and effect that had come to be attached to them as a result of Uniroyal's earlier activities. Indeed, Barden, who replaced Byrd, testified that while he told his subordinates that Uniroyal could not control resale prices, he never so advised the trade; and when distributors complained to him about price-cutting on the part of others, his practice was to tell them that he "would see what he could do about it" rather than state outright that Uniroyal would do nothing. The effect was to imply that distributors were expected to adhere to Uniroyal's suggested resale prices, just as they had in the past.

We recognize that some Uniroyal sales representatives, notably John D. Carroll (since 1956 sales manager of agricultural chemicals) and John C. Williamson (since 1966 an MH-30 sales representative in the Carolinas and Virginia), were not as equivocal as Barden and advised the trade, upon receipt of complaints about price-cutting, that Uniroyal could do nothing. In view of the vigorous and ruthless price maintenance activities engaged in by Uniroyal during the period 1960 to 1964, however, we conclude that the measures taken by Uniroyal were wholly insufficient to inform the trade that Uniroyal did not expect compliance with its suggested resale prices and territorial restrictions, especially since it continued to distribute the resale price lists to the trade thereafter and to enter into annual contracts restricting each distributor's sales territory. The impression left with many distributors and dealers was that they were expected to follow Uniroyal's suggested resale prices, just as they had done in the past. An example is found in a 1966 letter from Armour, a dis-

tributor, to Ramsey, advising that Armour was not meeting "competitive situations" but was keeping its bargain to sell MH-30 in the manner Uniroyal "wants their product sold" (PX 611). Ramsey took no steps to correct this impression.

That Uniroyal did not intend to be deprived of continuing profits attributable to its earlier stabilization activities is further confirmed by the fact that notwithstanding its consciousness of the antitrust laws, it reverted from time to time during the period 1965 to 1967 to some of its earlier tactics. In February 1966, for instance, Ramsey refused to allow Chevron to sell MH-30 in Tennessee and Arkansas, stating that "the territory assignments as specified in the contracts should be upheld and observed" (PX 643, Adm. 262, 263). In October 1966 Ramsey and Hayner complained to Niagara Chemical about its sale of some MH-30 in Kentucky in violation of its agreement with Uniroyal and Niagara was refused permission to sell MH-30 in Kentucky. In 1967 American Oil Company was refused permission to sell MH-30 to a dealer in Kentucky, even though it was authorized to sell other Uniroyal products there. Agway was denied the right to sell in Aroostock County, Maine, and in Long Island. Borden's Smith-Douglass Division was refused Kentucky, even though it marketed other chemicals there. Kerr-McGee was ousted from Georgia and Florida and was denied South Carolina, even though it distributed other chemicals there, after Arey, Uniroyal's salesman for Alabama, Georgia and Florida, received complaints from other distributors in his territory about Kerr-McGee's price-cutting. E-Z-Flo was again refused permission to sell in North Carolina. Cyrus Bias, former president of Tobacco States Chemical Co., testified that through 1967 Uniroyal sales representatives continued to discuss resale prices with him and price-cutting on the part of certain dealers. Indeed Uniroyal formerly admits that during this period and continuing up

through 1968 it continued to receive reports from MH-30 distributors concerning pricing practices of other distributors and those of MH-30 dealers.

As an economic matter, 100% compliance with Uniroyal's program for resale price maintenance and territorial restrictions could not be expected, since it would be too difficult to obtain perfect compliance on the part of each and every MH-30 distributor and dealer. From the outset, therefore, there were some who engaged in a limited amount of resale price competition and sales into forbidden territories or to blacklisted dealers or distributors to whom Uniroyal did not sell directly. However, perfect compliance was not required for Uniroyal to achieve general price stability, which was substantially realized by 1963. Thereafter some resale price erosion developed, but the majority of sales continued to be made at the suggested resale prices. We attach little or no weight to testimony that price cuts, discounts, or price erosion became "general" in 1967 and 1968, or that distributors paid little attention to Uniroyal's suggested resale prices during those years. Somewhat more specific percentages were furnished by other witnesses. Otha E. Herring, President of the Daly-Herring Company, for instance, testified that in 1964 approximately 15% of his sales of MH-30 were at a discount. Bias of Tobacco States testified that in 1966 there was little price-cutting in his area and that by 1967 20% to 25% of the sales of MH-30 were made at below suggested resale prices. George Simches, General Manager of the Planters Chemical Division of Thompson-Hayward, testified that in 1967 about 50% to 60% of his MH-30 sales were made at the suggested resale price. Other distributors, on the other hand, testified that they adhered to the suggested resale prices during these years. It is significant that sales at a discount or reduced price were not usually shown directly on sales invoices, but were

invoiced at the Uniroyal suggested resale price, with a separate credit memo later being issued to reflect the reduction. This procedure, which lent itself to secrecy, indicates that most distributors still feared being cut off if they sold below Uniroyal's suggested resale prices.

Thus it appears that by 1967 the majority of MH-30 sales by distributors were at Uniroyal's suggested resale prices but that the percentage of sales at a discount had substantially increased. In addition, a large number of distributors were surreptitiously selling MH-30 to "sub-distributors," i.e., those not sold directly by Uniroyal. These developments, of course, were the natural consequence of Uniroyal's willingness to coast along during the period from 1965 to 1967 on the strength of its earlier price stabilization activity. Furthermore in October 1965 Hopkins issued a memorandum to the effect that Uniroyal was going to establish uniform, national standards for evaluation of distributors and that thenceforth no new distributors were to be appointed, no old distributors terminated, and no distributor's territory changed, without Hopkins' approval. However, since Uniroyal had successfully stabilized MH-30 prices and marketing methods, this directive had no drastic effect. By the time it was issued most distributors had been taught to adhere to Uniroyal's policy. Indeed the directive was soon disregarded in practice. As we have already noted, in 1966 Chevron was refused permission to sell in Tennessee and Arkansas; and in 1967 Borden's Smith-Douglass Division was denied Kentucky, Agway lost Aroostock County, Maine and Long Island, Kerr-McGee was refused South Carolina, and E-Z-Flo was again denied North Carolina. Furthermore distributors previously cut off were refused reinstatement.

Notwithstanding its muted prolongation of its earlier program Uniroyal was faced by the end of 1967 with a greater percentage of MH-30 sales being made at competitive prices and through unauthorized channels. Faced with

this deterioration in its market program, Uniroyal took steps to restore market stabilization rather than allow competition to blossom. At the end of 1967 it increased its MH-30 prices to distributors by approximately $1.00 per gallon for the year 1968, ostensibly because of increased costs arising in part out of a long strike. At the same time it distributed suggested resale prices increasing the distributor's markup by only $.40 per gallon, thereby putting a price-profit squeeze on the distributor, which would tend to deter price-cutting. Some distributors were induced by its salesman Arey to agree to follow the suggested resale price structure before it was put into effect. As indicated previously, Uniroyal also continued to obtain information from its distributors with respect to prices being charged by dealers for MH-30.

Upon putting the new prices into effect Uniroyal addressed a letter dated January 17, 1968 to every authorized MH-30 distributor reminding them of Uniroyal's patent on MH-30 and advising that it proposed to protect its distributors by prosecuting for damages anyone who infringed or contributed to the infringement of the patent. "The MH-30 patent," said the letter, "represents more than this product's legal life" (PX 659). The purpose was to emphasize to distributors that they should adhere to Uniroyal's marketing program as embodied in its new contract and resale prices since Uniroyal, as the patentee, would be the sole source of supply for two more growing seasons.

At the same time, rather than risk further deterioration of the market through unauthorized sub-distribution, Uniroyal enlarged its list of authorized distributos to take into the fold those who had been sub-distributing MH-30 without authorization in 1967. The success of this latter move would depend, of course, on whether all distributors, including the new ones, would adhere to Uniroyal's program. As

a step designed to assure such adherence, Uniroyal sponsored a meeting of all of its distributors at Myrtle Beach, S.C. in April 1968, upon the threshold of the 1968 selling season. At this meeting Carroll, Uniroyal's Sales Manager of Agricultural Chemicals, who had written the letter describing Uniroyal's intent to prosecute infringers, and Ramsey both spoke of Uniroyal's desire for "orderly marketing," which meant adherence to resale prices and market restrictions. At this meeting of distributors Ramsey provided room facilities for a private conference of all distributors which was called by some of the old-line reliables to indoctrinate the new distributors, some of whom were known as price-cutters in the sale of other agricultural products. At this conference there was discussion between distributors as to ways and means of maintaining Uniroyal's new suggested resale prices and one distributor, Simches, testified "that there was some discussion with regard to that price schedule in line with the reason for having the meeting" (Tr. 2908). Against the earlier background, the inference is inescapable that Ramsey, a veteran in Uniroyal's earlier program of securing adherence to its resale prices and territory restrictions, was well aware of the meeting's purpose and was content to foster it as a means of heading off further deterioration in the market.

As a result of Uniroyal's foregoing efforts, it succeeded initially in 1968 in reversing the price-cutting trend that had developed in 1967. As aids in carrying out the program it continued its practice of placing the name of each authorized distributor on the containers of MH-30 shipped to the distributor, thus facilitating the tracing of shipments outside of authorized territories. Salesmen such as Rivers continued to get reports from distributors regarding the pricing policies of dealers. Regular Uniroyal resale price lists were distributed throughout the trade. In January

1968 Fasco, a distributor authorized to sell MH-30 in Georgia and North Carolina, was refused permission to resell in South Carolina even though it had salesmen in the latter state. Kerr-McGee was kept out of Georgia, Florida and Alabama, and the Smith-Douglass Division of Borden's continued to be excluded from Kentucky. In short, Uniroyal reverted to its earlier price and market stabilization tactics, although on a modified basis.

In June 1968, after fruitless negotiations with Uniroyal for a license, Ansul entered the market as a competing manufacturer and supplier of MH-30 (the composition consisting of the diethanolamine salt of MH with a wetting agent) under the trade name "Sucker Stuff." The entry of such a substantial competitor might normally have been expected to restore competition to the market place and dissipate the effect of Uniroyal's years of anti-competitive activity in the marketing of MH-30, at least after Ansul had had a reasonable opportunity to build up a substantially competitive system of distribution. Immediately following Ansul's institution of the present declaratory judgment suit in this Court, however, Uniroyal obtained a temporary restraining order against a distributor, Daly-Herring, in the Eastern District of North Carolina, and instituted suits for infringement against various other distributors in the tobacco belt who had purchased Sucker Stuff from Ansul. Thus it again gave notice to the trade that it proposed vigorously to enforce its 916 patent. Notwithstanding these moves, Ansul was able to sell its products to a growing number of distributors by agreeing to indemnify them against damages that they might be required to pay Uniroyal in infringement suits threatened or instituted by it against them.

In the meantime, anticipating that with the expiration of its 916 patent in October 1968 and the entry of Ansul as a competitor, the price of MH-30 would drop and Uni-

royal would lose a substantial share of the market, Uniroyal introduced a so-called "new" MH product, a potassium salt of MH, which it called "Royal MH-30," on an experimental or demonstration basis, at a price of $6.25 per gallon, as compared with the current price of $13.25 per gallon for MH-30. The very substantial reduction in price cannot be justified on the basis of differences in cost of manufacture of the two compositions. It may reasonably be inferred that Royal MH-30 was introduced to assuage the anger of those who had paid a much higher price over the previous eight years for MH-30 by creating the impression that the price reduction was not due to the imminent expiration of the patent but to the development of a better product which could be manufactured at a lower price.

Locked in the present litigation Uniroyal turned to the 1969 season with Ansul's charges of patent misuse well in mind. Apparently recognizing the vulnerability of its position, it discontinued the practice which it had followed for the period from 1960 to 1968 of sending annually a new resale price list to each distributor and entering into a signed contract with each distributor specifying the territory in which the distributor would be permitted to sell MH-30. However, it did not abandon altogether its earlier practices. Since there was no change in MH-30 prices, including suggested resale prices, for the 1969 season, salesmen simply sent out the 1968 lists including Uniroyal's "suggested" resale prices to distributors upon request. Likewise, although Uniroyal reinstated one dealer, Daly-Herring, which had been cut off in 1964, it did not reinstate various others that had been terminated in furtherance of its resale price maintenance program (e.g., Olin Mathieson). Furthermore, no affirmative steps have been taken by Uniroyal to inform all distributors and dealers generally or in writing

that they are free to resell MH-30 where they please and at such recale prices as they wish.

In March 1969 Uniroyal also unveiled to its distributors at another Myrtle Beach meeting sponsored by it a new system for marketing MH-30, called the "7/11 Plan," under which Uniroyal granted an immediate 7% discount off its regular price to the distributor, provided the distributor committed himself to purchase the first 35% of his season's requirements from Uniroyal. In order to induce the distributor to purchase his entire season's needs from Uniroyal, the latter agreed to continue the 7% discount in effect upon additional purchases up to 70% of the distributor's needs, provided the distributor bought the additional 35% by a certain specified date. In addition Uniroyal agreed to buy back inventory on the distributor's hands at the end of the season up to 11% of the distributor's season purchases. The effect of the plan, in which practically all of Uniroyal's earlier distributors participated, has been to enable Uniroyal to some extent to perpetuate its earlier pricing practices, albeit with less command than before Ansul's entry into the market.

On June 6, 1969, we handed down our decision holding that the mixture of MH with a wetting agent (Claim No. 1 of the 916 patent) was not patentable as a product, and upholding as patentable the claim (No. 7) of the right to use such a mixture for purposes of inhibiting plant growth. Thus MH-30 was not patentable as a product. Uniroyal recognized that unless it offered reasonable and nondiscriminatory licenses to manufacturers of the MH mixture who requested such licenses, it would be vulnerable to the claim that in selling MH-30 to purchasers desiring to use the product for purposes of inhibiting plant growth, it was using its Claim No. 7 unlawfully to require the purchaser-licensees to buy the unpatented product, MH-30, from it rather than permitting them as licensees to pur-

chase the product elsewhere. Accordingly, it purported to offer licenses under Claim 7 to those requesting such licenses. However, its offer was at a rate effectively amounting to $8.25 per gallon of MH-30 which, under its own "7/11 Plan" was offered at $12.25 per gallon in five-gallon containers. Needless to say its offer was not accepted by anyone.

The foregoing is a general summary of essential facts relating to Ansul's major contentions to the effect that Uniroyal's 916 patent cannot be enforced against Ansul because Uniroyal has misused the patent as an instrument in restraint of trade in violation of §§ 1 and 2 of the Sherman Act by fixing resale prices of MH-30 at the distributor and dealer level and restricting territorial and customer resale. Ansul also argues that the patent is unenforceable on other grounds, including failure to offer any license to use unpatented pure MH prior to June 1969 orto offer a reasonable license thereafter, fraud upon the Patent Office in obtaining the 916 patent, and misuse of the patent to engage in price discrimination in the sale of MH products in violation of the Robinson-Patman Act. In addition Daly-Herring and Louisville Chemical have sued Uniroyal for damages allegedly caused by Uniroyal's discontinuance of them as distributors of MH-30, claiming that they were discontinued because of failure to comply with Uniroyal's alleged unlawful marketing program, and Ansul sues for damages allegedly caused by Uniroyal's activities in violation of the antitrust laws and for statutory penalties under 35 U.S.C. § 292 (mismarketing). Additional relevant facts with respect to these various defenses, claims and contentions appear in the separate discussion of each below.

Discussion

Ansul's Defenses Based on Uniroyal's Alleged Misuse of the 916 Patent

Ansul's various contentions of patent misuse are governed by certain basic principles. The first of these is that a patentee's lawful monopoly "must be limited to the invention described in the claims of his patent," *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917). The rights granted to a patent holder "may be pushed to evil consequences and therefore restrained" if the patentee attempts to go beyond the limit of the exclusive rights granted, *Standard Sanitary Mfg. Co.* v. *United States*, 226 U.S. 20, 49 (1912), and if the patent is used as a tool to restrain trade in areas not within the patent's four corners, the patentee may lose his right to ask the courts to protect his lawful patent monopoly.

> "A patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent. But a patent affords no immunity for a monopoly not within the grant [citations omitted], and the use of it to suppress competition in the sale of an unpatented article may deprive the patentee of the aid of a court of equity to restrain an alleged infringement by one who is a competitor. . . .
>
> "It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest." *Morton Salt Co.* v. *Suppiger Co.*, 314 U.S. 488, 491-92 (1942).

Such is the doctrine of patent misuse, a doctrine that has been characterized as "an extension of the equitable doctrine of 'unclean hands' to the patent field." *United States Gypsum* v. *National Gypsum Co.*, 352 U.S. 457, 465 (1957). As it is an equitable doctrine its application is not limited to any particular type of antitrust violation. It has been said "that in whatever posture the issue may be tendered courts of equity will withholding relief where the patentee and those claiming under him are using the patent privilige contrary to the public interest." *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661, 669 (1944). The doctrine has primarily been invoked in cases where the patent has been used to expend the patentee's monopoly through licenses amounting to tying arrangements (requir-purchase of unpatented goods for use with the patented goods), licenses prohibiting the licensee from dealing in competitive articles, and coercive package licenses (conditioning the grant upon acceptance of licenses under other patents), *Valmont Industries, Inc.* v. *Yuma Mfg. Co.*, 296 F. Supp. 1291, 1295 (D. Colo. 1969). However, the doctrine applies with equal force to use of the patent as a vehicle for price fixing or imposition of other restrictions upon resale of the patented product. *United States Gypsum Co.* v. *National Gypsum Co.*, 352 U.S. 457, 472 (1957); *Hensley Equip. Co.* v. *Esco Corp.*, 383 F.2d 252 (5th Cir. 1967); *Newburgh Moire Co.* v. *Superior Moire Co.*, 297 F.2d 283 (3d Cir. 1956).

(1) *Claims of Misuse in Violation of Sherman Act*

Uniroyal contends that the doctrine of misuse has no application for the reason that the alleged antitrust restraints do not flow from licensing of the patent but from outright sale of the product which is the subject of the patented process. An antitrust defense, it is true, does not amount to patent misuse merely because it involves patented products or products which are the subject of

a patented process. *Radio Corporation of America* v. *Hygrade Sylvania Corp.*, 10 F. Supp. 879 (D.N.J. 1934); see *Hazeltine Research, Inc.* v. *Automatic Radio Mfg. Co.*, 77 F. Supp. 493, 498 (D. Mass. 1948); *aff'd.*, 176 F.2d 799 (1st Cir. 1949), *aff'd.*, 339 U.S. 827 (1950). On the other hand, misuse does not turn on the technical nicety of whether of whether there has been an express or implied license of the patent allegedly misused. Application of the doctrine depends upon the more substantive test of whether "the patent itself significantly contributes" to the unlawful practice. Rpt. of the Atty. Gen.'s Committee to Study the Antitrust Laws, p. 251 (1955): see Antitrust Developments 1955-1968: A Supplement to the Rpt. of the Atty. Gen.'s Nat'l Comm. to Study the Antitrust Laws, 1955, p. 181 (1968). Where the patent plays a major role in enabling its holder unlawfully to restrain trade, public policy against abuse of the limited lawful monopoly requires that its enforcement against infringers be stayed until the effects of the restraint have been purged or dissipated.

Here it is undisputed that the 916 patent played an important and integral role in Uniroyal's marketing program under attack. Both Hopkins, Uniroyal's Vice President and General Manager, and Ramsey, Regional Manager in charge of the territory where 90% of Uniroyal's sales of MH-30 were made, so testified. Without the patent Uniroyal would not have been able to impose upon distributors its resale price maintenance and territorial restrictions, since the composition MH-30, in the absence of the patent, would have been available to distributors from alternative sources and Uniroyal would have been relegated to the same type of price and market competition that had existed before it initiated its "orderly market" program. The key to the success of the latter program was the 916 patent.

Even if patent misuse turned upon the presence of a license, each sale of MH-30 constituted an implied license

under Claim 7 of the 916 patent to use the product for control of plant growth. We fail to see any legally significant difference between Uniroyal's annual contracts granting to distributors the right to sell MH-30 in certain territories for use in controlling plant growth, coupled with resale price maintenance through "suggested" resale price lists, and the license agreements declared unenforceable in *Newburgh Moire o.* v. *Superior Moire Co.*, 237 F.2d 283 (3d Cir. 1956) (requirement that licensees adhere to a "minimum price list"), in *Hensley Equip. Co.* v. *Esco Corp.*, 383 F.2d 252 (5th Cir. 1967) (customer restrictions), and in *Laitram Corp.* v. *King Crab, Inc.*, 244 F. Supp. 9, *new trial denied*, 245 F. Supp. 1019 (D. Alas. 1965) (price discrimination between competing licensees). In each case, as here, the patent was the competent producing factor enabling the patentee to violate the antitrust laws.

Here the proof is convincing that Uniroyal's MH-30 marketing activities made possible by its 916 patent constituted *per se* violations of the Sherman Act. Although a manufacturer is permitted under some circumstances to suggest resale prices to distributors of its products, *United States* v. *Colgate & Co.*, 250 U.S. 300 (1919), the area within which such suggestions may legitimately be made has been so circumscribed as to be characterized as a "narrow channel through which a manufacturer may pass though the facts would have to be of such Doric simplicity as to be somewhat rare in this day of complex business enterprise," *George W. Warner & Co.* v. *Black & Decker Mfg. Co.*, 277 F.2d 787, 790 (2d Cir. 1960). If, above and beyond a mere unilateral announcement and a refusal to deal steps are taken with the purpose or effect of inducing distributors or dealers to adhere to suggested resale prices, the marketing arrangement constitutes a combination and conspiracy to maintain prices, which is a *per se* violation of the Sherman Act. *United States* v. *Parke Davis & Co.*, 362 U.S. 29, 44 (1960); *FTC* v. *Beech-Nut Packing Co.*, 257

U.S. 441 (1922); *Simpson* v. *Union Oil Co.*, 377 U.S. 13, 17 (1964). Long ago the Supreme Court in *Beech-Nut* condemned the manufacturer's use of such enforcement devices as approved dealers lists, codes to identify price-cutters, requests or insistence that distributors comply, advance announcement that the manufacturer will refuse to sell to non-adherents, and similar devices. More recently the Court emphasized in *Parke Davis* that threats of cut offs transgress permissible bounds even though actual discontinuance of distributors does not occur, and in *Simpson* the use of annual renewable leases as coercive devices was specifically outlawed. *A fortiori* where distributors willingly cooperate in such a resale price maintenance scheme, it is a clear violation of the Sherman Act. *United States* v. *Socony-Vacuum Oil Co.*, 310 U.S. 150 (1940).

The existence of a valid patent relating to the product which is the subject of such a price fixing conspiracy does not render the patentee and its co-conspirators immune from the application of the antitrust laws. *United States* v. *Masonite Corp.*, 316 U.S. 265, 277 (1942). Although at one time it was indicated that the licensor might fix the price to be charged by a licensee permitted to manufacture and sell the patented product, *United States* v. *General Electric Co.*, 272 U.S. 475 (1926), but see *United States* v. *Line Material Co.*, 333 U.S. 287, 300-03 (1948), it is now firmly established that where the patentee makes and sells a patented product or one for use pursuant to a patented process and then sells it to another (which is the case here), the patentee "is no longer free to control the price at which it may be sold either in its unfinished or finished form," *United States* v. *Univis Lens Co.*, 316 U.S. 241, 250-51 (1942); *Ethyl Gasoline Corp.* v. *United States*, 309 U.S. 436, 456-57 (1940).

Although there was a time when doubt existed as to whether a manufacturer could lawfully restrict its distributors to certain territories or customers, see *Ford*

Motor Co. v. *Webster's Auto Sales, Inc.*, 361 F.2d 874, 881 (1st Cir. 1966); *CBS Business Equip. Corp.* v. *Underwood Corp.*, 240 F. Supp. 413, 426 (S.D.N.Y. 1964), any such doubts were laid to rest by the Supreme Court's 1967 decision in *United States* v. *Arnold, Schwinn & Co.*, 388 U.S. 365 (1967), holding that such restrictions are *per se* violations of the Sherman Act, at least where they are enforced. *Janel Sales Corp.* v. *Lanvin Parfums Inc.*, 396 F.2d 398 (2d Cir.), *cert. denied*, 393 U.S. 938 (1968). Uniroyal concedes that the holding is retroactive in its application. Moreover, even prior to *Arnold, Schwinn* such restrictions were unlawful when ancillary to an unlawful resale price maintenance program. See *White Motor Co.* v. *United States*, 372 U.S. 253, 260 (1963). As in the case of pricing arrangements a valid patent does not authorize the holder to impose such unlawful territorial or customer restrictions upon purchasers of the patented product. See *United States* v. *Bausch & Lamb Optical Co.*, 321 U.S. 707, 721 (1944); *Keeler* v. *Standard Folding Bed Co.*, 157 U.S. 659 (1895).

The evidence in the present case makes it abundantly clear that a primary purpose of Uniroyal's territorial restrictions imposed by contract annually upon its distributors was to implement its unlawful resale price maintenance program, and that the restrictions were for the most part firmly and resolutely enforced. See *Janel Sales Corp.* v. *Lanvin Parfums, Inc.*, 396 F.2d 398 (2d Cir.), *cert. denied*, 393 U.S. 938 (1968). Accordingly we find that these restrictions constituted a misuse of the 916 patent amounting to a *per se* violation of the Sherman Act. *Hensley Equip. Co.* v. *Esco Corp.*, 383 F.2d 252, 264 (5th Cir. 1957).

(2) *Uniroyal's Contention that any Antitrust Misuse has been Purged*

The principal contention advanced by Uniroyal is that even assuming that its market program in 1961 to 1964

represented a misuse of its 916 patent, its right to enforce the patent was restored by the fact that it thereafter purged itself of the misuse and the effects were dissipated by the time Ansul entered the market in June 1968.

Since the doctrine of misuse is equitable in nature, based on the public policy against allowing one who wrongfully uses a patent to enforce it during the period of misuse, it has long been recognized that upon dissipation or purge of the effects of such misuse the patentee may thereafter enforce his lawful monopoly. *United States Gypsum Co.* v. *National Gypsum Co.*, 352 U.S. 457, 465 (1957); *McCullough Tool Co.* v. *Well Surveys, Inc.*, 343 F.2d 381, 410 (10th Cir. 1965), *cert. denied*, 383 U.S. 933 (1966); *Preformed Line Products Co.* v. *Fanner Mfg. Co.*, 328 F.2d 265, 278 (6th Cir.), *cert. denied*, 379 U.S. 845 (1964); *White Cap Co.* v. *Owens-Illinois Glass Co.*, 203 F.2d 694 (6th Cir. 1953); *United States* v. *Imperial Chemical Industries, Ltd.*, 105 F. Supp. 215, 224 (S.D.N.Y. 1952). Furthermore, there is no time bar against such a purge. A patentee may revive enforceability of his patent by correcting a misuse after commencement of an action for infringement, *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, 498 (1941); *Preformed Line Products Co.* v. *Fanner Mfg, Co., supra*, p. 278; *Printing Plate Supply Co.* v. *Crescent Engraving Co.*, 246 F. Supp. 654, 672 (W.D. Mich. 1965), or even after judgment. *Hensley Equip. Co.* v. *Esco Corp., supra.*

Once misuse of a patent has been established, however, the burden is upon the patentee to show that the misuse has ceased and its effects dissipated before he will be permitted to resume enforcement of his patent. *United States Gypsum Co.* v. *National Gypsum Co., supra*, p. 465; *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495, 498 (1941); *Preformed Line Products Co.* v. *Fanner Mfg. Co.*, 328 F.2d 265, 278-79 (6th Cir. 1964). What conduct constitutes a "purge" depends upon the nature and extent

of the misuse. Where the misuse consists of the insertion of an objectionable provision in a contract, the patentee's cancellation and abandonment of the clause may be sufficient, *Berlenbach* v. *Anderson & Thompson Ski Co.*, 329 F.2d 782, 785 (9th Cir. 1964); *White Cap Co.* v. *Owens-Illinois Glass Co.*, 203 F.2d 694 (6th Cir. 1953), particularly where no injury resulted. See *McCullough Tool Co.* v. *Well Surveys, Inc.*, 348 F.2d 381, 408-10 (10th Cir. 1965). But where, as here, it consists of extensive and aggravated misconduct over a period of several years, which has substantially rigidified the price structure of an entire market and suppressed competition over a wide area, affirmative action may be essential effectively to dispel the consequences of the unlawful conduct. *Preformed Line Products Co.* v. *Fanner Mfg. Co.*, *supra*, p. 279. An unlawful conspiracy to maintain prices in violation of the antitrust laws is presumed to continue until some affirmative act of termination or withdrawal is shown. *United States* v. *Consolidated Laundries Corp.*, 291 F.2d 563, 573 (2d Cir. 1961); *Continental Baking Co.* v. *United States*, 281 F.2d 137, 155 (6th Cir. 1960).

Here Uniroyal's misuse of the 916 patent initially consisted of flagrant and widespread *per se* violations of the Sherman Act over a period of several years, which had a pronounced impact in restraining competition in the marketing of MH-30. Uniroyal failed thereafter to take effective steps to purge its misuse or dissipate the consequences of its unlawful conduct. On the contrary, when those consequences began to diminish in 1967 and 1968 it took steps to prolong them and thus continue to reap the harvest of its price stabliization measures. Such conduct is wholly insufficient to constitute a purge.

As a result of its activities in unlawfully maintaining resale prices and restricting distributors' sales territories and customers, by the fall of 1964 Uniroyal had success-

fully stabilized resale prices and sales territories in the MH-30 market. Having been thoroughly indoctrinated as to Uniroyal's "orderly market" program, including the necessity for adhering to its suggested resale prices, and having witnessed the dire consequences of departing in any substantial way from that program, the trade had learned its lesson. If it wanted to handle MH-30, a profitable product, it must do so on the basis urged by Uniroyal, the patentee, or else be discontinued. Once this level of understanding was reached, the unlawful system could coast along with a minimum of policing until a competitive product appeared on the horizon or Uniroyal took affirmative steps that would convince distributors that they were now free to engage in market competition without reprisal by it. The record, however, fails to reveal any such affirmative action on Uniroyal's part.

Defendant points to the fact that in 1962 and 1963 it removed salesmen Byrd and Mishoe, two of the worst offenders, from the tobacco belt; that in 1963 Hopkins, the new Director of Marketing, advised Ramsey, Regional Sales Manager, to tell the sales staff that they could not interfere with the freedom of distributors and dealers to determine their own prices, which Ramsey did. This conduct was salutary, as far as it went. The trouble is that it did not go nearly far enough, and it was accompanied by other conduct revealing that the action was at best equivocal and half-hearted. None of Hopkin's instructions were put in the form of a written communication to the staff, much less to the trade. On the contrary, Uniroyal continued annually distributing its "suggested" resale prices to the trade and entering into contracts with distributors containing the usual sales territory designations, which had always been viewed by all parties as restrictions. In the absence of a clear and unequivocal statement to distributors that resale prices and territorial restrictions were no

longer to have any force and effect, their perpetuation was tantamount to indicating that Uniroyal wanted the market resale price and sales territory structure to remain stable. In this context, after Uniroyal's earlier examples of how it could bear its fangs, its suggestion amounted to a command.

Further evidence of the equivocal nature of Uniroyal's "purge" is found in the testimony of salesman Barden to the effect that during the period 1963-1967, even though he had been told that Uniroyal had no right to interfere with resale prices of distributors, he would, upon receiving complaints from the latter about price-cutting, tell them he would "see what he could do about it" and would so advise his superiors. Even though nothing *was* "going to be done" about price-cutting, such responses, in the light of a history of vigorous unlawful price stabilization, would hardly convince a distributor that he was free to use price competition without reprisal at the hands of his sole source of supply. An interesting sidelight is further provided in Barden's testimony that by 1967 Uniroyal's suggested resale prices were generally disregarded by distributors. Yet he was unable to explain why, if such was the fact, Uniroyal continued its annual distribution of resale price lists.

The failure to demonstrate a purge is further evidenced by proof that despite price deterioration in 1967 and 1968 most sales were made at the suggested prices, and that Uniroyal thereafter took affirmative steps to perpetuate its stabilization of the market, including its January 1968 reminder to the trade that it would support distributors' selling efforts by suing any infringers of its 916 patent, its increasing 1968 prices in a way that imposed a price-profit squeeze upon distributors that would tend to discourage them from cutting resale prices, its sponsorship of the April 1968 Myrtle Beach distributors' meeting at which "orderly marketing" and prices were discussed, salesman

Rivers' continuation of his practice of obtaining reports from distributors on dealers' pricing practices, its continued refusals to grant distributors' requests for enlargement of their sales territories, and its refusal to reinstate some distributors previously cut off because of failure to adhere to its resale prices or territorial restrictions. We are convinced that this pattern of conduct, rather than evidencing a purge, indicated a desire to prolong the effects of its anti-competitive conduct.

Nor did the entry of Ansul into the market in June 1968 restore competition completely to the marketplace. Although some measure of competition has emerged and the effects of Uniroyal's misconduct have been partially dissipated, the combined effects of Uniroyal's multiple suits against distributors patronizing Ansul, its adoption of the "7/11 Plan" in March 1969, and its demand for a royalty rate amounting to $8.25 per gallon of MH-30, has been to perpetuate in substantial part the unlawful restraints resulting from its past misuse of its 916 patent. Accordingly Uniroyal continued to be barred from enforcing the 916 patent, which expired on October 21, 1969.

(3) *Claim of Misuse Based on Alleged Unlawful Monopolization of Sales of an Unpatented Product*

Ansul charges that Uniroyal also misused the 916 patent by conditioning the implicit grant of licenses to use pure MH and its salts with a wetting agent in accordance with Claim 7 of the patent upon the purchase of the unpatented product, MH, from itself.

The holder of a process or use patent which utilizes an unpatented product cannot monopolize trade in the unpatented product by failing to permit the practice of the intention by those who desire to purchase the unpatented product from the patentee's competitors. *D. B. Chemical Co.* v. *Ellis,* 314 U.S. 495 (1942); *Leitch Mfg. Co.* v. *Barber Co.,*

302 U.S. 458 (1938); *American Lecithin Co.* v. *Warfield Co.*, 106 F.2d 207 (7th Cir.), *cert. denied*, 308 U.S. 609 (1939). Such conduct constitutes misuse barring enforcement of the patent against competing sellers of the unpatented product. Ansul makes two distinct contentions with respect to the applicability of this general principle here.

Ansul's first contention is that pure maleic hydrazide (MH), which may be used to practice Claim 7 of the 916 patent, has been an unpatented and unpatentable "ancient chemical" available in commerce, and that Uniroyal, by failing to grant licenses to use pure MH without a wetting agent for plant growth regulation, misused its patents. This contention is not borne out by the evidence. While pure MH has been successfully used in experiments to inhibit plant growth, there is not a scintilla of evidence that it was ever so used commercially. Although prior to 1950 Uniroyal did sell nearly pure or "technical grade" MH to formulators who produced MH-30, it has never sold MH without a wetting agent for such use on plants.

There is, furthermore, no evidence that anyone ever asked Uniroyal for a license to use pure MH as a plant growth regulant. The only direct evidence with respect to licensing negotiations was offered through the testimony of Ansul Vice President Morris L. Neuville, who stated that he approached Uniroyal in mid-March of 1958 to seek "a license in order to permit us to sell maleic hydrazide to the tobacco market." Although Neuville in his testimony characterized this as a license "to operate under a use claim" (Tr. 1419), he later conceded that no discussion of any particular claim or even any particular patent was involved. Moreover, the fact that the product actually marketed by Ansul contains a wetting agent is further evidence that Ansul never sought a license to sell pure MH as a plant growth regulant.

Where there is proof of an intent to utilize a process or use patent to obtain a monopoly in an unpatented product, evidence of requests for licenses and rejections may not be necessary to establish misuse. *B. B. Chemical Co.* v. *Ellis*, 117 F. 2d 829, 838 (1st Cir. 1941) (Magruder, C.J., concurring). The evidence in this case, however, does not establish an attempt by Uniroyal to obtain a limited monopoly in the sale of pure MH, since after 1960 it did not sell the product, but sold the patented formulation with a wetting agent.

Ansul contends that even though Uniroyal did not sell pure MH, it had a duty to advise the trade that the pure chemical could be used on plants to inhibit growth and that it would grant licenses for such use. Aside from the total lack of authority for such a proposition, it is unsupported by the fundamental principle forming the basis of the doctrine of misuse, which is essentially an application of the equitable defense of unclean hands to an infringement action, *United States Gypsum Co.* v. *National Gypsum Co.*, 352 U.S. 457, 465 (1957), when a patentee utilizes his position in a manner contrary to the public interest. *Morton Salt Co.* v. *Suppiger Co.*, 314 U.S. 488, 492-93 (1942). In the absence of a showing that Uniroyal took steps to suppress sales of pure MH by others, and since the product actually marketed by Uniroyal was not the pure compound but a mixture which was subject to a patent claim, we conclude that neither the traditional concept of equity jurisdiction which requires a showing of wrongful intent or willful misconduct in order to establish unclean hands, *A.H. Emery Co.* v. *Marcan Prods. Corp.*, 389 F. 2d 11, 17 n. 4 (2d Cir.), *cert. denied*, 393 U.S. 835 (1968), nor broader notions of public policy require us to bar enforcement of Uniroyal's patent.

Second, Ansul contends that Uniroyal's conduct since our decision of June 6, 1969 constitutes misuse of the patent because, after the MH-30 product claim (Claim No.

1) had been adjudicated invalid, Uniroyal had a duty to offer licenses permitting competitors to sell the unpatented product for agricultural use. *B. B. Chemical Co.* v. *Ellis, supra.* Although Uniroyal has indicated a willingness to license the sale of MH chemicals for use in plant growth regulation at a royalty rate of $2.75 per pound of maleic hydrazide (about $8.25 per gallon of the formulated composition), Ansul contends that this is not a good faith offer because the royalty rate is so high that a licensee could not market the MH product in competition with Uniroyal and make any profit.

A patentee may not use its power to destroy a licensee in the market place by adjusting the royalty rate in a discriminatory manner. *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.,* 243 U.S. 502, 515 (1917); cf. *Peelers Co.* v. *Wendt,* 260 F. Supp. 193 (W.D. Wash. 1966); *Laitram Corp.* v. *King Crab, Inc.,* 244 F. Supp. 9, *new trial denied,* 245 F. Supp. 1019 (D. Alas. 1965). If the rule requiring the holder of a use patent to permit competition by issuing licenses to practice the patent with unpatented products produced by others is to have any viability, it would seem equally unlawful for such a patentee to offer licenses only upon terms that would foreclose licensee-competitors from the market. Cf. *National Foam System* v. *Urquhart,* 202 F. 2d 659, 663-64 (3d Cir. 1953).

Following the analysis set forth by the Supreme Court in *United States* v. *Univis Lens Co.,* 316 U.S. 241, 249-50 (1942), the price paid to Uniroyal for its product includes consideration both for the material and for an "implied license" to use the material pursuant to Claim 7. If Uniroyal offers actual licenses only at a royalty higher than the consideration paid by its customers for an implied license, other sellers of the unpatented material are precluded from competing.

The evidence of record bearing on the question of the fairness of Uniroyal's license offer, indicates that it is unreasonable and discriminatory. The price at which Uniroyal sells its MH-30 ranges from $12.25 per gallon in five-gallon containers, pursuant to an early delivery discount, to $13.50 per gallon in one-gallon cans at the regular price. Uniroyal has listed its price for pure MH for non-agricultural use at $3.20 to $4.20 per pound, depending on the number of pounds ordered (PX 953). Taking the lowest price (which requires a purchase of over 50,000 pounds), Uniroyal's own price for the amount of unformulated MH contained in a gallon of MH-30 would be $9.60.

Thus, at Uniroyal's highest price for MH-30, $13.50 per gallon, its charge for the implied license to use the product in accordance with Claim 7 of the 916 patent is at most $8.90 per gallon in contrast to the $8.25 per gallon demanded by it for an express license. Viewed another way if a competing producer of MH were to market a product like MH-30 under a license costing it $8.25 per gallon, it could realize at most $5.25 per gallon without exceeding Uniroyal's highest price of $13.50 per gallon. From this $5.25 it would have to subtract all production and formulation costs. If Uniroyal's price for pure MH is a fair price—and there is no evidence to the contrary—the $5.25 return would be wholly insufficient to cover the cost of producing and selling the competing MH composition.

We conclude, therefore, that even if Uniroyal were not barred from enforcing its patent because of misuse in violation of § 1 of the Sherman Act, it would in any event be barred for the foregoing reasons from enforcing its patent for the period from June 6, 1969 until the patent's expiration on October 21, 1969 for failure to offer to license either the agricultural use of MH chemicals or the sale of such chemicals at a rate permitting viable competition in the sale of the non-patented product.

(4) *Claim of Misue Based on Alleged Price Discrimination Between Uniroyal's MH-30 and SLO GRO Customers*

In view of our conclusion that Uniroyal is barred by reason of its foregoing conduct from enforcing its 916 patent, we need not dwell at length upon Ansul's claim that Uniroyal has also misused the patent by charging different prices for its two products, MH-30 and SLO GRO, in violation of § 2(a) of the Robinson-Patman Act, 15 U.S.C. 513(a). The Robinson-Patman Act prohibits discriminations "in price between different purchasers of commodities of like grade and quality, . . . where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce, or to injure, destroy or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination, or with customers of either of them. . . ." 15 U.S.C. § 13(a).

The parties have stipulated that the two products, MH-30 and SLO GRO, are physically and chemically identical, and that Uniroyal has always sold SLO GRO and its predecessor, MH-30T, at a lower price than it has charged for MH-30. The stipulated facts thus establish the existence of a price discrimination between purchasers of commodities of like grade and quality. *Federal Trade Comm'n* v. *Borden Co.*, 383 U.S. 637 (1966); *Perkins* v. *Standard Oil Co.*, 395 U.S. 642 (1969). The crucial question is whether or not the requisite injury or probability of injury to competition has been established.

Ansul contends that there is injury here at the so-called secondary line, that is, injury to competition between the "favored" purchasers of SLO GRO and the "disfavored" purchasers of MH-30. Distributors of the two products do not, however, compete for sales to the same type of ultimate user. MH-30 is used for treatment of agricultural crops, while SLO GRO is limited to non-agricultural

uses. Although it is true that some firms which distribute MH-30 compete generally with some firms which distribute SLO GRO, there is no evidence that sellers of SLO GRO have attempted to introduce the product into the agricultural market in competition with MH-30 distributors. Absent any such evidence of injury or threatened injury to competition, there is no basis for a finding of a violation of the Robinson-Patman Act.

Even though all of the elements necessary to find a violation of the Act are not present, however, we must still consider whether or not Uniroyal's conduct is sufficiently harmful to warrant a finding of patent misuse. See *Morton Salt Co.* v. *Suppiger Co.*, 314 U.S. 488, 490 1942); *Berlenbach* v. *Anderson & Thompson Ski Co.*, 329 F.2d 782 (9th Cir. 1964). Among the factors which Ansul cites as evidence of misuse is that Uniroyal has described SLO GRO as a special formulation when in fact it is not, that Uniroyal made a successful effort to prohibit sales of SLO GRO for use on tobacco, and that Uniroyal personnel told persons in the trade that SLO GRO could not be used on tobacco, while it perpetuated price discrimination between the products.

Uniroyal, however, is the owner of a patent which validly claims the use of MH chemicals for plant growth regulation. If it granted express licenses to practice this patent, it could, if it chose, restrict the licenses granted to certain specified uses encompassed within the claim of its patent. See *General Talking Pictures Corp.* v. *Western Electric Co.*, 304 U.S. 175, 179, *on rehearing*, 305 U.S. 124 (1938); R. Nordhaus & E. Jurow, *Patent-Antitrust Law* 158-62, 171-74 (1961). It could, for example, grant licenses to use the chemicals for agricultural uses and other licenses restricted to non-agricultural uses, charging a different royalty for each type of license.

Since Louisville Chemical, however, did not commence suit until May 1968, which was more than four years after it was cut off by Uniroyal, its claim is barred by the Clayton Act's four-year statute of limitations, 15 U.S.C. § 15b, which is applicable to this suit under § 4 of the same statute, 15 U.S.C. § 15.

Section 4b of the Clayton Act provides that a claim under § 4 "shall be forever barred unless commenced within four years after the cause of action accrued." Louisville Chemical does not deny that a cause of action in its favor accrued in 1963 when Uniroyal unequivocally cut it off as an authorized MH-30 distributor. It argues, however, that the Sherman Act conspiracy was a continuing one and that further causes of action accrued in its favor when it was refused reinstatement and was unable to purchase its full requirements of MH-30. This argument must be rejected. Uniroyal's damages flowed from the 1963 termination, which was the last overt act causing it damages, rather than from Uniroyal's later refusals to reinstate it, which amounted to a mere continuance or reassertion of the original termination and did not give rise to new claims or toll the running of the statute. *Garelick* v. *Goerlich's, Inc.*, 323 F.2d 854 (6th Cir. 1963); *Molinas* v. *National Basketball Ass'n*, 190 F. Supp. 241 (S.D.N.Y. 1961) (opinion by Judge Irving R. Kaufman; *Fleischer* v. *A.A.P. Inc.*, 180 F. Supp. 717 (S.D.N.Y. 1959). The situation here is identical in all pertinent respects with that in *Garelich* and *Molinas*, where the courts specifically rejected the argument that continued refusals to deal or to reinstate gave rise to new causes of action. It must also be distinguished from that where the original wrongdoer later engages in new and different acts which are the competent producing cause of separate damages not flowing from the original overt act. See *Hanover Shoe, Inc.* v. *United Shoe Mach. Corp.*, 377 F.2d 776, 794 (3d Cir. 1967).

Louisville Chemical's claim is therefore dismissed.

uses. Although it is true that some firms which distribute MH-30 compete generally with some firms which distribute SLO GRO, there is no evidence that sellers of SLO GRO have attempted to introduce the product into the agricultural market in competition with MH-30 distributors. Absent any such evidence of injury or threatened injury to competition, there is no basis for a finding of a violation of the Robinson-Patman Act.

Even though all of the elements necessary to find a violation of the Act are not present, however, we must still consider whether or not Uniroyal's conduct is sufficiently harmful to warrant a finding of patent misuse. See *Morton Salt Co.* v. *Suppiger Co.*, 314 U.S. 488, 490 1942); *Berlenbach* v. *Anderson & Thompson Ski Co.*, 329 F.2d 782 (9th Cir. 1964). Among the factors which Ansul cites as evidence of misuse is that Uniroyal has described SLO GRO as a special formulation when in fact it is not, that Uniroyal made a successful effort to prohibit sales of SLO GRO for use on tobacco, and that Uniroyal personnel told persons in the trade that SLO GRO could not be used on tobacco, while it perpetuated price discrimination between the products.

Uniroyal, however, is the owner of a patent which validly claims the use of MH chemicals for plant growth regulation. If it granted express licenses to practice this patent, it could, if it chose, restrict the licenses granted to certain specified uses encompassed within the claim of its patent. See *General Talking Pictures Corp.* v. *Western Electric Co.*, 304 U.S. 175, 179, *on rehearing*, 305 U.S. 124 (1938); R. Nordhaus & E. Jurow, *Patent-Antitrust Law* 158-62, 171-74 (1961). It could, for example, grant licenses to use the chemicals for agricultural uses and other licenses restricted to non-agricultural uses, charging a different royalty for each type of license.

In effect, Uniroyal's marketing practices with respect to MH-30 and SLO GRO constitute just such a permissible licensing program. Sales of these products grant an implied license to use the chemicals in the manner described on the label. See *United States* v. *Univis Lens Co.*, 316 U.S. 241, 249-51 (1942). A different implied license is granted with respect to each of the two products, and a different price, reflecting the distinction in permissible uses under the implied licenses, is charged.

Ansul's Claim for Statutory Penalties Based on 35 U.S.C. § 292 (Mismarking)

It has been stipulated by the parties that Uniroyal placed on labels of its MH products the numbers of four patents,[5] two of which, the 917 and 926, are inapplicable. In a *qui tam* action brought to 35 U.S.C. § 292 Ansul seeks one-half of the statutory penalty for mismarking, the other half to go to the United States under the terms of the statute, which provides in pertinent part:

> "Whoever marks upon, or affixes to . . . any unpatented article, the word 'patent' or number importing that the same is patented, for the purpose of deceiving the public . . . shall be fined not more than $500 for every such offense."

In fact all of the Uniroyal MH products, SLO GRO, MH-30T, MH Technical and MH-30 were covered with respect to their use by Claim 7 of the 916 patent, one of

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[5] These were U. S. Patents Nos. 2,575,954, 2,615,916, 2,614,917 and 2,805,926.

the patents listed on the label.[4] They were not, therefore, "unpatented products," and the statute, by its terms is not applicable. *French v. Foley*, 11 Fed. 801, 805-06 (S.D.N.Y. 1882); see also *Santa Anita Mfg. Corp. v. Lugash*, 369 F.2d 964, 968, as modified (9th Cir. 1967). We cannot disregard the plain language of this statute which, being penal in nature, must be strictly construed, e.g., *Felt v. Ronson Art Metal Works*, 107 F. Supp. 84 (D. Minn. 1952), and, therefore, plaintiff's claim under § 292 must be dismissed.

Plaintiff's further contention that even if the statute is inapplicable Uniroyal's marking of its labels in the foregoing manner constituted misuse of the patent, or evidence tending to show a pattern of misuse, must be rejected. The sole responsibility for the marking of the labels rested with Uniroyal's senior research biologist, Dr. John Zukel, a patentee of the 917 and 926 patents. He testified that he placed the numbers of these patents, which relate to derivatives of MH, on the labels to inform the public of Uniroyal's entire "patent estate" with respect to MH and derivatives thereof. The demonstrated absence of any intent to deceive the public calls for dismissal of the § 292 claim. *Zippo Mfg. Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670, 700 (S.D.N.Y. 1963); *Victoria-Vogue v. Valcourt, Inc.*, 145 F. Supp. 160 (S.D.N.Y. 1956), and negates any basis for a claim of misuse on grounds of "mismarketing." Although the public might have been confused as to the number of patents owned

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[4] All of the products listed except for MH Technical were, furthermore, subject to the product Claim 1 of the 916 patent until this Court's decision of June 6, 1969 holding that claim invalid. The labelling practices attacked by Ansul ceased before that date. The 954 was a process patent covering the means of producing Uniroyal's MH products. This patent was originally involved in this action, but the parties have settled that dispute, and Ansul has been licensed to use the Uniroyal process.

by Uniroyal relating to its MH products, the products were nonetheless subject to patent protection, and anyone who read the label would be so advised. There is neither proof nor reason to believe that a potential infringer would be more deterred by four outstanding patents than by two.

Ansul's Claim that the Patent is Unenforceable Because of Erroneous Data in Example VIII

Ansul's contention that Uniroyal should be barred from enforcing the 916 patent because it submitted erroneous data in Example VIII is wholly without merit. Notwithstanding Ansul's frequent characterization of the data as "false," the proof is clear that the errors were wholly inadvertent, that Uniroyal's later data was not inconsistent with that reported in Example VIII, and that promptly upon discovery of the error in January of this year Uniroyal notified the Court, and its scientists gave an entirely satisfactory explanation as to how the error had occurred.

In view of the fact that the error arose from an honest mistake and not because of any fraudulent intent or gross negligence on the part of the patentee, enforcement of the patent should not be denied. *Walker Process Equipment, Inc.* v. *Food Machinery & Chemical Corp.*, 382 U.S. 172, 177 (1965); *Baldwin-Lima-Hamilton Corp.* v. *Tetnall Measuring Systems Co.*, 169 F. Supp. 1, 21 (E.D. Pa. 1958). The situation here is wholly distinguishable from cases where there was evidence of fraud on the part of the patentee. See *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U.S. 238 (1944); *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945).

Treble Damage Claims Based on Uniroyal's Antitrust Violations

There remain for consideration the claims of Ansul, Daly-Herring and Louisville Chemical for treble damages allegedly caused by Uniroyal's violation of § 1 of the Sherman Act. Although Uniroyal assumes the burden of showing that it has purged its misuse of the 916 patent, each treble damage claimant assumes the burden of establishing by a fair preponderance of the credible evidence that it was caused to suffer damages as a result of Uniroyal's antitrust misconduct. *American Infra-Red Radiant Co.* v. *Lambert Industries, Inc.*, 360 F. 2d 977, 996 (8th Cir.), *cert. denied*, 385 U.S. 920 (1966). Since the facts with respect to each claim differ materially from the others, each must be considered separately.

(1) *Ansul's Claim.*

Although Uniroyal's conduct in violation of § 1 of the Sherman Act, including its maintenance of resale prices and its territorial and customer restrictions, unlawfully restrained trade in the marketing of MH-30, Ansul has failed to show that it suffered any damages as a result of Uniroyal's conduct. There is no proof that Ansul sought to enter the market prior to the 1968 selling season. Furthermore the evidence fails to indicate that since its entry into the market in 1968 it has been unable to sell as much "Sucker Stuff," its competing MH composition, as it could produce. Vague testimony by Ansul's sales manager for agricultural chemicals, Robert D. Shockey, to the effect that after Uniroyal obtained a temporary restraining order in 1968 against certain distributors handling Ansul's product, Ansul experienced difficulty in marketing the product is unsupported by persuasive proof. Although Shockey implied that one purchaser, Blue Chemical Company, cancelled a large order because of Uniroyal's conduct, the

evidence establishes to our satisfaction that the cancellation was made without knowledge of Uniroyal's infringement suits and was unrelated to any conduct on its part.

As a result of Uniroyal's conduct Ansul was required, it is true, to indemnify its distributors as a condition to their purchasing Sucker Stuff from it. The proof indicates, however, that a sufficient number of distributors were willing to market its product. In 1968, for instance, Ansul initially obtained seven distributors. By 1969 this number had greatly increased and Shockey had eight salesmen under his supervision.

Ansul's claim that it is entitled to treble the expenses, including legal fees, incurred by it in defending Uniroyal's suits against it and the various distributors indemnified by it, presents a somewhat more difficult problem, since we have found that these suits, together with Uniroyal's other activities (e.g., its sponsorship of the "7/11 Plan," meetings in Myrtle Beach, etc.) had the effect of perpetuating the price and market stabilization achieved through its earlier violations of § 1 of the Sherman Act, and that it has failed to sustain its burden of showing that it has purged itself of its misuse of the 916 patent. Our holding that Uniroyal failed to show dissipation of the effects of its earlier patent misuse, however, cannot be equated with a finding that the 1968 lawsuits were brought by it in furtherance of a conspiracy in violation of the Sherman Act. On the contrary, we conclude that even though the suits were one of many activities which collectively had the effect of inhibiting an effective purge of its earlier misconduct, they were instituted by it in good faith and for the purpose of resolving the issues of validity and infringement rather than with the intent or purpose of restraining trade in violation of the Sherman Act. Thus Uniroyal's suits must be distinguished from those brought in furtherance of an antitrust conspiracy, see, e.g., *Dairy Foods,*

Inc. v. *Dairy Maid Prods. Corp.*, 297 F. 2d 805 (7th Cir. 1961); *Hobe, Inc.* v. *Dempsey Pump Co.*, 198 F.2d 416 (10th Cir.), *cert. denied*, 344 U.S. 837 (1952), and are similar to those in *Leitram Corp.* v. *King Crab, Inc.*, 244 F. Supp. 9, 15 (D. Alas. 1965), which were held not to be actionable under the antitrust laws.

Ansul's treble damage suit is accordingly dismissed for failure to establish the essential elements of such a claim by a fair preponderance of the credible evidence.

(2) *Daly-Herring's Claim.*

Daly-Herring was an authorized MH-30 distributor during the period from 1960 through 1964. In January 1965 Uniroyal's sales representatives Barden, Ramsey and Rivers, after internal company deliberations beginning in September 1964, visited Otha Herring, President, and, without stating Uniroyal's reasons, advised him that Daly-Herring would no longer be an authorized distributor. Thereupon it ceased to be an authorized MH-30 distributor until 1969, when it was reinstated.

Daly-Herring contends that it was cut off in 1965 because of its failure to adhere to Uniroyal's suggested resale prices and its sales of MH-30 in South Carolina, which was outside of the sales territory specified in its contract with Uniroyal. There was proof, including Herring's testimony, that in 1964 Daly-Herring had given discounts on 15% of its sales, using independent credit memoranda to customers for this purpose, that in 1964 it had ordered and received shipments of MH-30 to a branch opened by it in Dillon, S.C., which was not its resale territory designated by Uniroyal, and that complaints had been made to Uniroyal by Daly-Herring's competitors about its price-cutting activities.

Uniroyal, on the other hand, stated that it terminated Daly-Herring for legitimate reasons wholly unconnected with price-cutting or violation of territorial restrictions. It offered proof to the effect that in 1964 its sales staff believed that marketing of agricultural chemicals was

moving away from local distributors toward direct sales through newly established "farm-service centers" to the farmer-consumer, which would weaken the position of distributors such as Daly-Herring, and that Uniroyal should take steps to replace some of its distributors with such farm outlets. Uniroyal's salesman N. R. Barden testified that a decision was made to sell MH-30 through such outlets, Agrico and Smith-Douglass, in lieu of distribution through Daly-Herring for the reason that the latter's sales management had been weakened as the result of the retirement of its president and principal sales officer, John Daly, in the middle of 1964, and the departure of its assistant sales manager, Glenn Maxwell, at the end of 1964.

Each side points to weaknesses and inconsistencies in the proof offered by the other. For example, although Herring testified that Barden objected to his selling MH-30 in South Carolina, Barden testified that he actually solicited such sales and visited Daly-Herring's Dillon, S.C., branch, and his testimony, is corroborated by his contemporaneous expense vouchers and Uniroyal invoices covering shipments of MH-30 to Daly-Herring at Dillon. Barden further testified that he was unaware of Daly-Herring's actual resale prices. Uniroyal also points to the fact that the testimony of Herring and Burks (Daly-Herring's sales manager beginning in 1965) that Daly-Herring was unable after the termination to obtain MH-30 from various distributors (Smith-Douglass, Wyatt & Crows, and others) was refuted by testimony and records of such distributors revealing substantial sales by them to Daly-Herring or (in some cases) that they would have been willing to sell MH-30 to it but were never asked.

Conflicts also appear, however, in the testimony given by Uniroyal's representatives. For instance, Barden's testimony as to Uniroyal's reasons for terminating Daly-Herring's distributorship differs from that of Ramsey,

sales manager for the entire area, to the effect that it was cut off because of Uniroyal's dissatisfaction with its failure to hold a sufficient number of dealer and grower educational meetings. Barden disagrees. However, Barden also did not apparently mention to Daly-Herring anything about Uniroyal's concern regarding weaknesses in Daly-Herring's management. He simply stated in 1965 that he did not know why Daly-Herring had been terminated. The record furthermore reveals that Daly-Herring's overall business had increased from $1.8 million in 1962 to $2.9 million in 1964, a period during which it also opened up new outlets, and that during the same period its MH-30 business increased from 20,000 gallons to 47,000 gallons.

After viewing the evidence in its entirety, and determining the credibility to be accorded to the witnesses viewed by the Court and the weight to be given to the proof, we conclude that while the question is a difficult one Daly-Herring has failed to establish by a fair preponderance of the evidence that it was terminated because of Uniroyal's activities in seeking to maintain resale prices and territorial restrictions in violation of the Sherman Act. Accordingly, the claim must be dismissed.

(3) *Louisville Chemical's Claim.*

We are persuaded by the evidence that in 1963 Louisville Chemical, an authorized MH-30 distributor since 1961, was terminated by Uniroyal because it had failed to adhere strictly to Uniroyal's suggested resale prices and it had sold MH-30 to unapproved price-cutting dealers (Carroll County Tobacco Warehouse, Cobb, Dunnavent, Crouch and McCauley) after being warned not to do so, all in violation of § 1 of the Sherman Act. Thereafter Louisville was repeatedly refused reinstatement during the period from 1964 to 1968 and although it succeeded in obtaining some supplies of MH-30 from other distributors it was unable to secure its requirements completely.

Since Louisville Chemical, however, did not commence suit until May 1968, which was more than four years after it was cut off by Uniroyal, its claim is barred by the Clayton Act's four-year statute of limitations, 15 U.S.C. § 15b, which is applicable to this suit under § 4 of the same statute, 15 U.S.C. § 15.

Section 4b of the Clayton Act provides that a claim under § 4 "shall be forever barred unless commenced within four years after the cause of action accrued." Louisville Chemical does not deny that a cause of action in its favor accrued in 1963 when Uniroyal unequivocally cut it off as an authorized MH-30 distributor. It argues, however, that the Sherman Act conspiracy was a continuing one and that further causes of action accrued in its favor when it was refused reinstatement and was unable to purchase its full requirements of MH-30. This argument must be rejected. Uniroyal's damages flowed from the 1963 termination, which was the last overt act causing it damages, rather than from Uniroyal's later refusals to reinstate it, which amounted to a mere continuance or reassertion of the original termination and did not give rise to new claims or toll the running of the statute. *Garelick* v. *Goerlich's, Inc.*, 323 F.2d 854 (6th Cir. 1963); *Molinas* v. *National Basketball Ass'n*, 190 F. Supp. 241 (S.D.N.Y. 1961) (opinion by Judge Irving R. Kaufman; *Fleischer* v. *A.A.P. Inc.*, 180 F. Supp. 717 (S.D.N.Y. 1959). The situation here is identical in all pertinent respects with that in *Garelich* and *Molinas*, where the courts specifically rejected the argument that continued refusals to deal or to reinstate gave rise to new causes of action. It must also be distinguished from that where the original wrongdoer later engages in new and different acts which are the competent producing cause of separate damages not flowing from the original overt act. See *Hanover Shoe, Inc.* v. *United Shoe Mach. Corp.*, 377 F.2d 776, 794 (3d Cir. 1967).

Louisville Chemical's claim is therefore dismissed.

CONCLUSION

For the reasons hereinabove stated, the various claims of Ansul and plaintiff-intervenors, except to the extent granted in our decision dated June 6, 1969, are dimissed, and Uniroyal's counterclaim for infringement of the 916 patent is dismissed as unenforceable because of its misuse of the patent which continued until the patent's expiration.

Since each side has prevailed on some issues, no costs shall be taxed against either side and no attorneys' fees awarded.

The foregoing shall constitute the Court's findings of fact and conclusions of law in accordance with Rule 52(a), F.R.C.P.

It is so ordered.

Appendix C

Judgment of the District Court

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

68 Civil Action No. 2244

December 3, 1969

THE ANSUL COMPANY,

Plaintiff,

and

DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO. and TRIANGLE CHEMICAL CO.,

Plaintiff-Intervenors,

against

UNIROYAL, INC.,

Defendant.

This action having come on for trial before the Court, the Honorable Walter R. Mansfield, United States District Judge, presiding, the issues having been duly tried and the Court having filed its opinions which include Findings of Fact and Conclusions of Law, dated June 8, 1969, and October 31, 1969,

IT IS ORDERED AND ADJUDGED that:

Plaintiff Ansul and the plaintiff-intervenors' claim for declaratory judgment that United States Patent 2,614,916 is invalid and not infringed is granted as to Claim 1 and denied as to Claim 7 which is determined to be valid. All

other claims of said patent have been withdrawn from issue.

Plaintiff Ansul and plaintiff-intervenors have infringed Claim 7 of said United States Patent 2,614,916.

Uniroyal's counterclaim for infringement of United States Letters Patent 2,614,916 is dismissed as unenforceable because of its misuse of the patent which continued until the patent's expiration.

The damage claims of plaintiff Ansul and plaintiff-intervenors Daly-Herring Company and Louisville Chemical Company are dismissed.

No costs shall be taxed against either side and no attorney's fees awarded.

/s/ WALTER R. MANSFIELD

Appendix D

Opinion of the District Court Denying Amendment of Findings and Denying New Trial

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

68 Civ. 2244

March 23, 1970

THE ANSUL COMPANY,

Plaintiff,

and

DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO. and TRIANGLE CHEMICAL CO.,

Plaintiff-Intervenors,

against

UNIROYAL, INC.,

Defendant.

Opinion Denying Amendment of Findings and Denying New Trial

MANSFIELD, *D.J.*:

In this patent suit we held a bifurcated trial, the first portion dealing with the issues of the validity and infringement of Uniroyal's U.S. Patent No. 2,614,916 (the "916" patent), which resulted in our upholding the validity of Claim No. 7. 301 F. Supp. 273. The second instalment dealt with Ansul's contentions that the patent was unenforceable because of misuse, and with the treble damage claims of Ansul, Daly-Herring and Louisville. We held that because of Uniroyal's continued, undissipated misuse of the patent, it is unenforceable. The treble damage suits were dismissed. 306 F. Supp. 541 (S.D.N.Y. 1969).

Uniroyal now moves pursuant to Rule 52(b), F.R.C.P., for amendment of our Findings and Conclusions as to misuse and pursuant to Rule 59 for a new trial. The motion is denied.

Uniroyal's primary contention is that certain findings are in error and either unsupported by or contrary to the evidence. The findings were the subject of an exhaustive 29-page decision which we filed only after thorough review of the record and exhibits, a critical appraisal of the witnesses, and a determination of the weight to be accorded to the testimony of each witness. Uniroyal's present motion suffers from the not uncommon defect of looking only to evidence favorable to it and overlooking evidence relied upon by the court. We shall not attempt to detail every reference in the record of over 3100 pages upon which our Findings were based, but will furnish some illustrations demonstrating the existence of substantial supporting evidence.

Uniroyal first contends that it was error to find that most MH-30 sales in 1968 were made at its suggested resale prices, pointing to testimony by various distributors and dealers that they sold below such suggested resale prices. As we stated earlier, 100% compliance with Uni-

royal's program did not exist and would not be required to establish misuse. Some sales in 1968 were made below the suggested prices. But there is ample evidence supporting our finding. (See, e.g., Hopkins' characterization of the market in 1968 as having "price rigidity," Tr. 204-05, 954-55; Blanton, to the effect that FCX's price conformed, Tr. 3155; Bias of Tobacco States to the effect that by 1967 20% to 25% of his sales were made below suggested prices; and Simches, Tr. 2885.)

Uniroyal's failure to take positive and affirmative action to dissipate the effects of its misuse of the 916 patent is so thoroughly supported that we find it unnecessary to itemize the numerous record references. (See, e.g., Barden, Tr. 2230, 2243-45; Ramsey, Tr. 2728; Carroll, Tr. 454; Admissions 126, 128.) In the light of Uniroyal's long history of flagrant antitrust misuse, the mere failure to print new suggested resale prices in 1969 or to use the old form of franchise agreement containing territorial restrictions was far from sufficient. By that time the trade was too well schooled to change the earlier agreed practices.

With respect to reinstatement of cut-off distributors, although some such distributors were reinstated, we fail to find evidentiary support for Uniroyal's suggestion that Olin Mathieson was restored. On the contrary, Tice's testimony and status as its sales manager for agricultural chemicals is to the contrary. Having received proof that various distributors and dealers (e.g., J. B. Cobb) were terminated, we cannot assume that they were reinstated.

There is also an abundance of evidence to the effect that coding or placing of distributors' names on MH-30 cans, which had been used as a method of identifying price-cutters, continued in 1968 and 1969 (E.g., Arey, Tr. 675; Carroll, Tr. 648-49.) Although Uniroyal contends that by 1968 it had abandoned the use of such identification as a

means of obtaining adherence to its resale prices, the fact that it continued as late as 1969 to receive reports on prices from its salesmen, when coupled with such a history, militates against such abandonment.

The record evidence is clear that a licensee could not absorb an $8.25 per gallon royalty fee and still compete with Uniroyal. The price of $3.20 per pound, which we used as the basis for computing a licensee's costs, was taken directly from Uniroyal's own published price lists.

With respect to the question of whether Royal MH-30 was introduced at a sharply lower price as a new product in anticiption of criticism by the trade that it had been overcharged for MH-30, there is supporting evidence (see, e.g., PX 873). But even if this finding were disregarded and given no weight, our finding of continued, unpurged misuse of the 916 patent would stand and is amply supported by record evidence.

Turning to Uniroyal's Rule 59 motion, the additional evidence proffered by it does not warrant a new trial. This case was thoroughly tried at great length by competent counsel who explored every major facet of the many issues. The record exceeds 3100 pages. Hundreds of exhibits were received. In the light of all the other proof in the case, the additional evidence now offered, which Ansul sharply disputes, would not be sufficient to affect the ultimate finding of continued misuse. To permit the case to be reopened for this type of evidence, particularly in view of its being controverted, would be unwise. After such an exhaustive trial, the record should not be reopened except upon a showing that there has been a serious miscarriage. No such showing is made here.

The motion is denied.

It is so ordered.

Appendix E

Opinion of the Court of Appeals

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Nos. 686, 687—September Term, 1970.

(Argued March 30, 1971 Decided April 29, 1971.)

Docket Nos. 34876, 34883

THE ANSUL COMPANY, DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO. and TRIANGLE CHEMICAL CO.,

Plaintiffs-Appellants,

v.

UNIROYAL, INC.,

Defendant-Appellee.

Before:

LUMBARD, *Chief Judge,*
FRIENDLY and KAUFMAN, *Circuit Judges.*

LUMBARD, *Chief Judge*:

In this patent case, plaintiffs and defendant both appeal from a judgment entered on December 3, 1969 in the Southern District of New York after two nonjury trials before Judge Mansfield. Plaintiff Ansul sued for a declaratory judgment of invalidity, noninfringement, and unenforceability of defendant Uniroyal's United States Patent No. 2,614,916 (the "916 patent"). Uniroyal counterclaimed for infringement of the same patent; and Ansul denied such

infringement and interposed several affirmative defenses including Uniroyal's misuse of the patent through antitrust violations. The other plaintiffs were originally defendants in other actions for infringement of the same patent brought by Uniroyal in other districts. They intervened in the present action at the request of the trial court which enjoined Uniroyal's prosecution of the other suits against them. Two of those intervening plaintiffs—Daly-Herring and Louisville—joined Ansul in seeking treble damages from Uniroyal for the antitrust violations.

Judge Mansfield's decision on the patent questions, made after the first trial, is reported at 301 F. Supp. 273 (S.D. N.Y. 1969). Of the two claims of the patent in issue, he held claim 1 invalid for obviousness and claim 7 valid and infringed by plaintiffs. After the second trial, Judge Mansfield held, 306 F. Supp. 541 (S.D.N.Y. 1969), that defendant Uniroyal had misused the patent through antitrust violations and was therefore barred from enforcing it. However, he dismissed, on varying grounds, the treble-damage claims of all three plaintiffs. We affirm the district court's judgment with the single exception that we allow plaintiff Louisville its treble-damage claim, on the basis of *Zenith Radio Corp. v. Hazeltine Research, Inc.* — U.S. — (decided Feb. 24, 1971), 39 U.S.L.W. 4250, 4255-57.

The product involved in this case is an agricultural chemical commonly called "maleic hydrazide" (MH). It was discovered in 1894, but was not considered useful until 1947 when two of Uniroyal's employees found that, mixed with a wetting agent, it could inhibit the growth of certain plants without otherwise harming them. Uniroyal applied for a patent on the product in 1949; and in 1952, the Patent Office issued it patent 916, which expired in October 1969. The two claims of that patent at issue here are claim 1, the composition or product claim which describes the chemical composition itself, and claim 7, the method or

use claim which describes how the product can be used to treat certain growing plants so as to alter their growth characteristics.

After Uniroyal's initial discovery of this use for maleic hydrazide, two chemists not connected with Uniroyal found that application of the composition to potatoes and onions prevented sprouting and that its application to tobacco plants prevented the formation of "suckers"—lateral branches which prevent the tobacco leaves from reaching their potential size and quality. The latter is by far the major commercial use of maleic hydrazide. Since the early 1950's Uniroyal has manufactured and sold the product under various names, principally "MH-30," a registered trademark. Until Ansul began making and selling the product in 1968 under the principal designation "Sucker Stuff," Uniroyal had a monopoly under patent 916.

Uniroyal's alleged misuse of its patent was established through evidence of its resale price maintenance program and its territorial restrictions on the resale of the product. Beginning in 1960, Uniroyal sold MH-30 to distributors, who in turn sold it to dealers, who sold it to farmers. Until 1969, Uniroyal published and distributed price lists for MH-30, on which it set forth suggested resale prices for both distributors and dealers. The trial court found that from 1960 through 1963, the defendant on a substantial number of occasions tried to and did enforce its suggested prices through various tactics including actual or threatened refusals to deal and certain policing measures such as tracing the MH-30 through identification on its containers. Although Uniroyal contended that no such enforcement measures were taken after 1963 and that all the effects of such measures had been dissipated by 1968, when Ansul began to infringe patent 916 by marketing its product, the trial court found to the contrary—that the effects of the price-

fixing restraints remained until the patent expired in October 1969. The district court found Uniroyal's conduct to have been a *per se* violation of the Sherman Act and thus to constitute patent misuse barring its recovery for the plaintiff's infringement.

Moreover, until 1969, Uniroyal assigned a certain geographical sales area to each of its distributors. The district court found that these assignments were understood as restrictions, that Uniroyal enforced them in the same way as it did its suggested resale prices, that these actions also constituted a *per se* violation of the antitrust laws, and that the effects of Uniroyal's restrictive conduct in this regard likewise endured until the patent expired and thus constituted patent misuse barring its recovery.

With respect to the treble-damage claims, Louisville and Daly-Herring—distributors with whom Uniroyal ceased dealing in 1963 and 1965 respectively—contended that they were terminated because they refused to abide by Uniroyal's unlawful restrictions and that they were thus damaged by Uniroyal's antitrust violations. Judge Mansfield rejected Louisville's claim on the basis of the statute of limitations, and Daly-Herring's claim on the basis that it had not met its burden of proving the unlawful reason for its termination. Ansul claimed that it was entitled to treble the expenses incurred by it in defending Uniroyal's suits against it and the various distributors indemnified by it, since those suits were allegedly in furtherance of the unlawful antitrust conspiracy. Judge Mansfield rejected this contention on the ground that Uniroyal instituted those suits in good faith.

With the one exception noted above, we affirm the district court's disposition, substantially for the reasons stated in Judge Mansfield's excellent opinions.

I. The Validity of the Disputed Claims of the Patent.

A. *Claim 1.*

Under 35 U.S.C. §§ 101 and 103, a claimed invention, in order to be patentable, must be new, useful, and not obvious to those having ordinary skill in the art involved. Judge Mansfield found that claim 1 of patent 916, the composition claim, did not fulfill these requirements.

Claim 1 describes the following composition:

> "1. An agricultural chemical composition comprising material of the group consisting of [maleic hydrazide] and its salts, said composition containing a wetting agent."

Maleic hydrazide was described in the prior art as early as 1894. All that Uniroyal's chemists did in the late 1940's was to add a wetting agent; and according to the district court, wetting agents and their function were known long before that time. The court stated that maleic hydrazide and the wetting agent "were old elements well known in the prior art" and that "in combination, [maleic hydrazide] and a wetting agent each is limited to performing the same function which it always has performed independent of the other"; the wetting agent "does not, however, make the [maleic hydrazide] any more active. Thus it simply performs the same function that it would perform if used with any other chemical in solution." 301 F. Supp. at 282.

The trial court recognized that for a combination of known elements to be a patentable composition "[t]he conjunction or concert of known elements must contribute something; only when the whole in some way exceeds the sum of its parts is the accumulation of old devices patentable." *Great A & P Tea Co.* v. *Supermarket Corp.*, 340 U.S. 147, 152 (1950). See also *Continental Can Co.* v. *Old Dominion Box Co.*, 393 F.2d 321, 326 (2d Cir. 1968). Here,

Judge Mansfield felt, the mixture of maelic hydrazide with a wetting agent, claimed in claim 1, was merely an aggregation of two old substances each performing its separate function, and hence was not patentable as a new product.

Uniroyal's main challenge to the trial court's holding is that although maleic hydrazide was discovered in 1894, no use was suggested until its chemists mixed it with a wetting agent and found a use. This original thought and use, it is claimed, were not obvious under the prior art, as is shown by the fact that no one had found such treatment and use for half a century. Uniroyal seeks to distinguish *A & P* and *Continental Can* on the ground that in those cases the new combinations were indeed "accumulations of old devices" whose individual functions were well-known, whereas here, while the function of a wetting agent was known, the function of maleic hydrazide was not known until Uniroyal discovered it. Uniroyal argues that since this function of maleic hydrazide was not previously known, the function of the combination could not have been obvious.

Uniroyal's argument, however, goes to the function and use of the new composition, which is covered in claim 7, and not to the composition itself, which is the subject of claim 1. The composition or product itself was indeed an aggregation of two substances which were known in the prior art, even if the function of one of them was not known. Hence the *A & P* line of cases applies and claim 1 was properly found to be invalid.

B. *Claim 7.* That claim, the use or method claim, reads:

> "The method which comprises treating growing plants with material of the group consisting of [maleic hydrazide] and its salts in a concentration and amount sufficient to alter the growth characteristics of said plants."

Plaintiffs do not challenge this claim as invalid for being obvious or not new; rather they argue that it is invalid be-

cause it did not comply with the disclosure and claiming provisions of § 112. That section provides:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected to make and use the same. . . . The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter.

Plaintiffs contend that claim 7 is too general to meet these requirements, i.e., that it does not define how to use the new composition with any exactitude, clarity, or distinctness. According to plaintiffs, the words of claim 7 "growing plants" could apply to any of a half a million plants, and the patent discloses but a few paltry examples of experimentation with maleic hydrazide on a single variety of tomatoes, corn, peas, a few weeds, and some grass. Yet the patent proceeds to make claims encompassing the entire plant kingdom without distinguishing among the types. The result, say plaintiffs, is to invite those skilled in the art to engage in broad, extensive, and time-consuming experimentation in order to determine which plants are temporarily inhibited by MH, which are killed, which remain unaffected or are even stimulated to more growth, and what concentration, dosage rate, salts, and wetting agents are to be used to obtain specific results. Moreover, plaintiffs argue, the real utility of MH—for tobacco—is not disclosed or hinted at in the patent, and indeed was discovered by scientists unconnected with Uniroyal.

Plaintiffs also contend that the words "alter the growth characteristics" are too broad, since they could cover growth promotion as well as inhibition, and that the term

"salts" is likewise too broad, since it covers an indefinite amount of compounds, not all of which are operative with the maleic hydrazide.

Judge Mansfield rejected these contentions and we agree. Claim 7 was necessarily broad and generic because Uniroyal's discovery "opened up a new art" and was "an entirely new use for an existing composition" (301 F. Supp. at 284-85), as distinguished from a minor improvement in a crowded art. As the district judge stated, "[t]he inventor who discovers a basic new use is not required to specifically disclose, or even be aware of, all the uses of his invention." 301 F. Supp. at 290-91. See *B. G. Corp.* v. *Walter Kidde & Co.*, 79 F.2d 20, 22 (2d Cir. 1935).

We reject plaintiff's argument that the words of the patent were insufficient to enable one skilled in the art to select and determine, out of countless possibilities, the particular concentration, dosage, etc. of MH that would produce the desired result on a particular plant. As Judge Mansfield stated, "the necessity for conducting experimentation or preliminary tests to determine the successful application of an invention . . . will not invalidate a patent, provided one skilled in the art could determine and select the necessary experiments or tests without unreasonable difficulty." 301 F. Supp. 285. See *Georgia-Pacific Corp.* v. *U. S. Plywood Corp.*, 258 F.2d 124, 136 (2d Cir.), cert. denied, 358 U.S. 884 (1958).

Judge Mansfield found that the disclosures of claim 7 did not place such an unreasonable burden upon one skilled in the art. He found that those skilled in the art in the late 1940's already understood many factors that would limit greatly the number of experiments that would have to have been done. Then he stated:

> "The ultimate answer to Ansul's contention lies in the testing conducted by research personnel to whom Uniroyal furnished samples of the MH compound with disclosures as to its new use. With

> astonishing rapidity they used the new discovery and teachings in routine experiments, featuring routine screening techniques, to develop practical uses for the product. None of this would have occurred, of course, if it had not been for Uniroyal's disclosure of the basic secret with sufficient information for researchers to use the compound in their regular sampling procedures. 301 F. Supp. at 287-88.

Indeed, the two chemists who discovered the usefulness of MH on tobacco and onions were among these experimenters. Thus, Judge Mansfield held that "[i]n the face of such substantial evidence of the minor experimentation needed to perfect the use of the compound, once its generic use had been disclosed, . . . the specification of the 916 patent reasonably 'enable[s] any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same. . . .'" 301 F. Supp. at 288.

For similar reasons, Judge Mansfield rejected plaintiffs' argument that the words "alter growth characteristics" were overbroad. With respect to the alleged overbreadth of "salts," Judge Mansfield again found that

> ". . . the evidence amply indicated that those skilled in the art had no difficulty in relying on their skill to determine which salts of [maleic hydrazide] they should use. No substantial or difficult experimentation was required for this purpose; the specification served as an effective teacher and it was well known in the art that certain salts would be toxic or prevent absorption of the [maleic hydrazide] by the plant. Consequently, as to those to whom the patent was directed, the term 'salts' was not too broad." 301 F. Supp. at 289.

We agree. Admittedly, the disclosures of claim 7 are very general and give meager information as to how to use

the product. Yet the test is whether they are sufficient to enable a person skilled in the art to make and use the product without undue experimentation. The question whether the disclosures here were sufficient to do so is a factual matter and there is substantial evidence to support the trial court's findings. Indeed, the speed with which the two chemists used the MH composition successfully on tobacco and onions, once Uniroyal provided them with the composition and with the information that it could inhibit the growth of plants, is clear evidence that claim 7's disclosures were sufficient.

II. Uniroyal's Resale Price Maintenance and Territorial Restrictions as Patent Misuse.

Although the district court found claim 7 of the patent to be valid, it refused to enforce the patent against the infringing plaintiffs because it found Uniroyal's conduct in violation of the antitrust laws to have constituted patent misuse. The fact that most of the overt acts violating the antitrust laws took place before 1965, whereas the infringement did not occur until 1968 and 1969, did not dissuade the court from its finding of misuse, since it found that Uniroyal's unlawful conduct in enforcing its price and territorial restrictions continued to some extent between 1964 and 1969 and that, in any event, the effects of its prior restraint of trade were not dissipated until the 916 patent expired in October 1969.

Uniroyal challenges this determination on two main grounds: (1) that as a matter of law the antitrust restraints found by the trial court do not constitute patent misuse; and (2) that as a matter of fact, even if they do, Uniroyal

did not engage in any such restraints during the period of the infringement and all effects of any prior restraint had been dissipated by the time of the infringement.

A. *Whether the Antitrust Restraints Constitute Patent Misuse.* Uniroyal argues that the resale price maintenance and territorial restrictions, even if proved during the infringement period and even if illegal under the antitrust laws, were not sufficiently related to the 916 patent to bar its enforcement against infringers. According to Uniroyal, "an antitrust defense does not amount to patent misuse merely because it involves patented products or products which are the subject of a patented process"; and here, says Uniroyal, there was just not enough connection between the 916 patent and Uniroyal's restraints on trade.

Judge Mansfield, however, found the opposite. Although he agreed with Uniroyal's broad generalization quoted above, he felt that "[w]here the patent plays a major role in enabling its holder unlawfully to restrain trade, public policy against abuse of the limited lawful monopoly requires that its enforcement against infringers be stayed until the effects of the restraint have been purged or dissipated." 306 F. Supp. at 558. He cited three cases for the proposition that the patent misuse doctrine applies to use of the patent as a vehicle for illegal price fixing or imposition of other restrictions upon resale of the patented product, in the three cases through express patent license agreements. *United States Gypsum Co.* v. *National Gypsum Co.*, 352 U.S. 457, 472 (1957); *Hensley Equip. Co.* v. *Esco Corp.*, 383 F.2d 252 (5th Cir. 1967); *Newburgh Moire Co.* v. *Superior Moire Co.*, 237 F.2d 283 (3rd Cir. 1956). Application of the doctrine, he stated, depends upon whether the patent itself significantly contributes to the unlawful antitrust practice.

In the circumstances of this case, the trial judge found, the 916 patent did play such an important and integral role in Uniroyal's marketing program. He found that:

> "[w]ithout the patent Uniroyal would not have been able to impose upon distributors its resale price maintenance and territorial restrictions, since the composition MH-30, in the absence of the patent, would have been available to distributors from alternative sources and Unioyal would have been relegated to the same type of price and market competition that had existed before it initiated its 'orderly market' program. The key to the success of the latter program was the 916 patent." 306 F. Supp. at 558.

Moreover, he stated that "[e]ven if patent misuse turned upon the presence of a license, each sale of MH-30 constituted an implied license under Claim 7 of the 916 patent to use the product for control of plant growth." *Id.* Thus, he failed "to see any legally significant difference between Uniroyal's annual contracts granting to distributors the [implied license] to sell MH-30 in certain territories for use in controlling plant growth, coupled with resale price maintenance through 'suggested' resale price lists, and the [express] license agreements declared unenforceable" in cases such as the three he cited. *Id.* Hence he held Uniroyal's antitrust violations to constitute patent misuse.

Uniroyal disputes the district court's findings on two major grounds. First, it claims that Judge Mansfield erred in failing to recognize a distinction between this case, involving selling a patented product, and the patent-license

cases such as the three he cited.[1] Second, Uniroyal argues that Judge Mansfield erred in finding that without the patent, it would not have been able to impose its restraints. According to Uniroyal, a manufacturer without a patent can impose such resale price maintenance and territorial restrictions, as is shown by numerous cases where manufacturers of unpatented articles have been found guilty of imposing such restraints effectively, primarily through the monopoly power inherent in brand-name products.[2]

We reject Uniroyal's contentions. The monopoly power granted by a patent can be illegally expanded to fix resale prices and control secondary distribution just as well through the use of "annual contracts" as through the use of express patent licenses. Here, since MH was an easily formulated commercial chemical, the only reason that Uniroyal was able to impose the restraints it did with any degree of success was that it owned the patent on MH

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[1] According to Uniroyal, the distinction is as follows:

> "In the case of a patent license, the licensor-patentee may use the patent right itself to enforce any restrictions imposed on the licensee. He requires the latter, explicitly or implicitly, either to accept the restrictions or be barred from using the patent. If necessary, he can sue for infringement, and that certainly involves using the patent to enforce the restriction. In contrast, where the patentee, having sold the patented product, seeks to maintain resale prices or territorial restrictions, the customer who refuses to comply is not coerced by the threat of an infringement suit, but by the possibility of the seller's refusing to sell the patented commodity. He does not have the patent to use as a weapon; his remedy is exactly the same as that of any seller of any unpatented article."

[2] See *Federal Trade Commission* v. *Beech-Nut Co.*, 257 U.S. 441 (1922); *United States* v. *Bausch & Lomb Optical Co.*, 321 U.S. 707 (1944); *United States* v. *General Motors Corp.*, 384 U.S. 127 (1966); *United States* v. *Arnold, Schwinn & Co.*, 388 U.S. 365 (1967).

and thus had a monopoly on its sale. This is by itself enough of a significant connection between the patent and the restraints to uphold Judge Mansfield's findings in this regard. In any event, we agree with the trial court's holding that each sale of MH-30 constituted an implied license to use the product. Uniroyal misses the point in showing that other types of market power, notably brand-name power, have on occasion enabled manufacturers to fix resale prices of unpatented merchandise. Judging from Ansul's quick success with "Sucker Stuff," tobacco farmers were little impressed with Uniroyal's brand name; and hence it is clear that it was its patent that enabled it to impose the restrictions involved.

B. *Whether in Fact the Restraints Were Continued and Their Effects Still Present at the Time of Infringement.*

Uniroyal makes several related arguments in this connection: (1) that plaintiffs proved no overt acts of patent misuse or antitrust restraint during 1968-1969, the period of Ansul's infringement; (2) that by that time, it (Uniroyal) had dissipated all effects of any restraint of trade caused by its prior resale-price-maintenance scheme and that in fact there was vigorous and free price competition in the MH-30 market before the infringement commenced and certainly by 1969; and (3) that the territorial assignments or designations in its franchise contracts did not constitute patent misuse during the infringement period, since it ceased enforcing those assignments as restrictions and dissipated their consequences well before 1968, and since the Supreme Court did not clearly hold territorial restrictions to be unlawful until June 1967 in *United States* v. *Arnold, Schwinn & Co.*, 388 U.S. 365 (1967).

Judge Mansfield found to the contrary on each of these contentions (306 F. Supp. at 559-562), and there is substantial evidence in the record to support his findings. For example, according to the trial judge, Uniroyal's failure to demonstrate a purge was evidenced in part by

> "proof that despite price deterioration in 1967 and 1968 most sales were made at the suggested prices, and that Uniroyal thereafter took affirmative steps to perpetuate its stabilization of the market, including its January 1968 reminder to the trade that it would support distributors' selling efforts by suing any infringers of its 916 patent, its increasing 1968 prices in a way that imposed a price-profit squeeze upon distributors that would tend to discourage them from cutting resale prices, its sponsorship of the April 1968 Myrtle Beach distributors' meeting at which 'orderly marketing' [adherence to resale prices and market restrictions] and prices were discussed, salesman Rivers' continuation of his practice of obtaining reports from distributors on dealers' pricing practices, its continued refusals to grant distributors' requests for enlargement of their sales territories, and its refusal to reinstate some distributors previously cut off because of failure to adhere to its resale prices or territorial restrictions." 306 F. Supp. at 561-62.

In addition, Uniroyal's continued use of price lists and annual contracts up to the 1969 growing season, its casual indications to complaining distributors that it would enforce the territorial restrictions and suggested prices, and

its "7/11 Plan" unveiled in March 1969[3] are all inconsistent with its argument that by 1968 and certainly thereafter it had dismantled the system which it had constructed in 1960-63 and had dissipated its effects. Indeed, we are convinced, as Judge Mansfield was, that "this pattern of conduct, rather than evidencing a purge, indicated a desire to prolong the effects of its anti-competitive conduct." 306 F. Supp. at 562.[4]

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[3] Under that plan, as Judge Mansfield described it,

> "Uniroyal granted an immediate 7% discount off its regular price to the distributor, provided the distributor committed himself to purchase the first 35% of his season's requirements from Uniroyal. In order to induce the distributor to purchase his entire season's needs from Uniroyal, the latter agreed to continue the 7% discount in effect upon additional purchases up to 70% of the distributor's needs, provided the distributor bought the additional 35% by a certain specified date. In addition Uniroyal agreed to buy back inventory on the distributor's hands at the end of the season up to 11% of the distributor's season purchases. The effect of the plan, in which practically all of Uniroyal's earlier distributors participated, has been to enable Uniroyal to some extent to perpetuate its earlier pricing practices, albeit with less command than before Ansul's entry into the market." 306 F. Supp. at 556.

[4] Uniroyal also disputes the district court's findings that a separate patent misuse began on June 6, 1969, the date on which the district court held the product claim on MH to be invalid. Since Uniroyal could no longer lawfully use its *method (use)* patent monopoly to secure a monopoly over sales of the unpatented *product*, it came under an obligation (if it wished to avoid the charge of patent misuse) to license its patented *use* of the unpatented *product* for those who wished to buy the product from other manufacturers. We agree with Judge Mansfield's determination, 306 F. Supp. at 562-564, that the price at which Uniroyal offered licenses was so high that it would never pay to obtain the use license from Uniroyal and the product from someone else rather than simply buy the product from Uniroyal with the implied use license attendant upon any sale of the product by Uniroyal. This was either a non-compliance or discriminatory, since those who bought the product from Uniroyal were paying less for their implied use license than anyone foolish enough to buy an express use license from Uniroyal in order to use the product purchased from others.

III. The Treble Damage Claims.

A. *Ansul's Claim.* Plaintiff Ansul argues that it is entitled to recover treble for its expenses incurred in defending Uniroyal's patent infringement suits against it and against the various distributors which it had agreed to indemnify. Ansul contends that these suits were part of Uniroyal's endeavors to perpetrate its unlawful market scheme, for, as the trial court found, "these suits, together with Uniroyal's other activities . . . had the effect of perpetuating the price and market stabilization achieved through its earlier violations of § 1 of the Sherman Act . . . ." 306 F. Supp. at 567. Hence, it argues, its expenses in defending those suits are properly recoverable under *Hazeltine Research, Inc.* v. *Zenith Radio Corp.*, 388 F.2d 25, 35 (7th Cir. 1967), aff'd in part, 395 U.S. 100 (1969), where the court stated: "Zenith's expenses in defending the infringement suit brought pursuant to HRI's antitrust violations are a proper subject of threefold recovery."

Judge Mansfield, after making the statement quoted above as to the *effect* of these suits, then rejected Ansul's contention stating that

> "even though the suits were one of many activities which collectively had the effect of inhibiting an effective purge of [Uniroyal's] earlier misconduct, they were instituted by it in good faith and for the purpose of resolving the issues of validity and infringement rather than with the intent or purpose of restraining trade in violation of the Sherman Act. Thus Uniroyal's suits must be distinguished from those brought in furtherance of an antitrust conspiracy . . ." 306 F. Supp. at 567.

Ansul argues that intent is not necessary to a Sherman Act § 1 violation and that whatever its actual intent may have been, Uniroyal as a proven antitrust violator is conclusively presumed to be responsible for the direct consequences of its acts. Hence, according to Ansul, even if the intent of Uniroyal's suits was legitimate, the fact that their effect was to further the unlawful conspiracy makes them part of that conspiracy and thus allows Ansul to recover treble its expenses in defending them.

We agree with the result reached by the district court. A patentee who has reasonable grounds for believing that his patent is valid and that it is being infringed should not lightly be precluded from availing himself of the courts. Whatever other anticompetitive activity the patentee may be guilty of, the patent laws would seem to authorize him to bring such a nonfrivolous suit. Denying him recovery on the ground of misuse is a sufficient vindication of antitrust policy, at least where the patentee is no longer actively engaging in antitrust violations at the time he brings his suit. Here, although the trial court was justified in concluding that the *effects* of Uniroyal's former violations had not been dissipated by the time of Ansul's and the other plaintiffs' infringement, Uniroyal had ceased actively engaging in at least its most objectionable antitrust violations. At least under such circumstances, Ansul, as a proven infringer, should not be permitted to recover treble damages for the costs of defending the patentee's nonfrivolous infringement suits.

B. *Daly-Herring's Claim.* Plaintiff Daly-Herring seeks treble damages since it was terminated by Uniroyal in 1965, allegedly because of its failure to abide by Uniroyal's unlawful scheme. Uniroyal contends that the termination was for legitimate business reasons. Judge Mansfield found that Daly-Herring did not meet its burden of proof on this issue. 306 F. Supp. at 569.

The resolution of this question, then, turns upon whether the trial court properly placed the burden of proof on the plaintiff. Daly-Herring argues that this was error. It contends that in an antitrust action such as this, where the defendant had terminated numerous distributors for unlawful reasons and where the plaintiff did not abide by defendant's scheme so that plaintiff's termination would serve defendant's interests, the inference is that plaintiff's termination was unlawful and defendant should have the burden of showing that it was not. Daly-Herring cites *Interstates Circuit* v. *United States,* 306 U.S. 208, 225-6 (1939), where the Court stated:

> "When the proof supported, as we think it did, the inference of such concert, the burden rested on appellants of going forward with the evidence to explain away or contradict it."

See also *United States* v. *Paramount Pictures,* 334 U.S. 131, 148 (1948).

We disagree with Daly-Herring's claim. The only burden changed by *Interstate Circuit* is the burden of going forward with the evidence, and Uniroyal certainly met that burden here. The burden of persuasion, however, remains with the plaintiff, as the Supreme Court stated in *Arnold, Schwinn:*

> "The burden of proof in anti-trust cases remains with the plaintiff, deriving such help as may be available in the circumstances from particularized rules articulated by law—such as the per se doctrine." 388 U.S. at 374 n. 5.

As the district court found, Daly-Herring did not meet that burden here.

C. *Louisville's Claim.* Plaintiff Louisville seeks treble damages since it had been terminated by Uniroyal in 1963

for failing to adhere to Uniroyal's unlawful resale-price-maintenance scheme and for selling to unapproved price-cutting dealers, and since it thereafter suffered a loss of substantial profits because it could not buy MH-30 for resale except on a "bootleg" basis, with difficulty, and at higher prices. Louisville argues that since the initial termination violated the antitrust laws and since its continued damage thereafter was caused by the continuing *per se* illegal market restraint, Louisville was within the target area of the conspiracy and is entitled to treble damages.

Judge Mansfield rejected this claim. He did agree that Louisville's termination in 1963 was caused by its failure to adhere to Uniroyal's unlawful scheme; but he held that its claim was barred by the Clayton Act's four-year statute of limitations, 15 U.S.C. § 15(b), since Louisville did not commence suit until May 1968. He rejected Louisville's contention that the antitrust conspiracy was a continuing one and that further causes of action accrued in its favor when it was refused reinstatement and was unable to purchase its full requirement of MH-30. He stated:

> "Louisville's damages flowed from the 1963 termination, which was the last overt act causing it damages, rather than from Uniroyal's later refusals to reinstate it, which amounted to a mere continuance or reassertion of the original termination and did not give rise to new claims or toll the running of the statute. Garelick v. Goerlich's, Inc., 323 F.2d 854 (6th Cir. 1963); Molinas v. National Basketball Ass'n, 190 F. Supp. 241 (S.D.N.Y. 1961) (opinion by Judge Irving R. Kaufman); Fleischer v. A. A. P., Inc., 180 F. Supp. 717 (S.D.N.Y. 1959). The situation here is identical in all pertinent respects with that in *Garelich* [sic] and *Molinas,* where the courts specifically rejected the argument that continued refusals to deal or to reinstate gave rise to new causes

of action. It must also be distinguished from that where the original wrongdoer later engages in new and different acts which are the competent producing cause of separate damages not flowing from the original over act." 306 F. Supp. at 569.[5]

On this issue, we do not agree with the district court's disposition. The governing principles have now been expounded by the Supreme Court in *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, —— U.S. —— (decided Feb. 24, 1971), 39 U.S.L.W. 4250, 4255-57, of which Judge Mansfield did not have the benefit. In that case, the Court held that a plaintiff in an antitrust action may recover damages occurring within the statutory limitations period that are the result of conduct occurring prior to that period if, at the time of the conduct, those damages were speculative, uncertain, or otherwise incapable of proof. Mr. Justice White, writing for the Court, saw an anomoly in the application of the four-year statute of limitations in antitrust cases.

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[5] Louisville challenges this holding, arguing that not all of its damages stemmed from the 1963 cutoff, but rather that it suffered damages as a direct result of the *per se* illegal restraints on resale trade in MH-30 imposed by Uniroyal and substantially adhered to by its authorized distributors during the four-year period immediately prior to suit, each time it purchased or unsuccessfully sought to purchase MH-30 within that period. Hence, it argues, Uniroyal's violation was not merely a continuing refusal to reinstate, but the commission of numerous acts within the limitations period which were expressly found by the trial court to have resulted in the continuance and perpetration of the unlawful scheme throughout that period, and which caused damage to Louisville by preventing it from obtaining MH-30, at least at the normal price.

Since we reverse the district court's determination in this regard on the basis of *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, —— U.S. —— (decided Feb. 24, 1971), 39 U.S.L.W. 4250, 4255-57, we see no need to pass on the merits of Louisville's argument.

On the one hand, each cause of action accruing in an antitrust action "entitles a plaintiff to recover not only those damages which he has suffered at the date of accrual, but also those which he will suffer in the future from the particular invasion . . ." 39 U.S.L.W. at 4256. On the other hand, "[t]o recover those damages, he must sue within the requisite number of years from the accrual of the action [and] it is hornbook law, in antitrust actions as in others, that even if injury and a cause of action have accrued as of a certain date, future damages that might arise from the conduct sued on are unrecoverable if the fact of their accrual is speculative or their amount and nature unprovable." *Id.* Thus, Mr. Justice White concluded,

> "In antitrust and treble damage actions, refusal to award future profits as too speculative is equivalent to holding that no cause of action has yet accrued for any but those damages already suffered. In these instances, the cause of action for future damages, if they ever occur, will accrue only on the date they are suffered; thereafter the plaintiff may sue to recover them at any time within four years from the date they were inflicted [citations omitted]. Otherwise, future damage which could not be proved within four years of the conduct from which they flowed would be forever incapable of recovery . . ." *Id.*

Applying *Zenith* to the instant case, in order to hold that Louisville's entire claim accrued when it was unlawfully terminated in 1963, we would have to be able to say that it could have proved its damages with sufficient certainty at that time to warrant a judgment in its favor for the entire period during which Uniroyal was engaging in antitrust violations that affected it. Obviously, in light of

Judge Mansfield's finding that the effects of Uniroyal's unlawful restraints endured until 1969, such a statement could not be justified. Louisville had no means of knowing to what extent it would be able to fill its requirements of MH-30 from other distributors or at what price. Indeed, if Louisville had asserted in 1963 that it would lose all sales, and had endeavored to compute damages on that basis, we can be quite confident that Uniroyal would have forcefully contended that this was not necessarily so.

For these reasons, we hold that Louisville is entitled to recover threefold those damages for the period beginning in May 1964 which could not be proved with reasonable certainty in late 1963. We remand the case to the district court for a determination of the amount of such damages.

With respect to the costs incurred by plaintiffs on this appeal, we direct that plaintiffs be granted one-third of those costs, to be credited entirely to plaintiff Louisville.

Affirmed in part; reversed and remanded in part.

Appendix F

Judgment of the Court of Appeals

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

At a Stated Term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Courthouse in the City of New York, on the twenty-ninth day of April one thousand nine hundred and seventy-one.

Present:

HON. J. EDWARD LUMBARD,
Chief Judge,

HON. HENRY J. FRIENDLY,
HON. IRVING R. KAUFMAN,
Circuit Judges.

THE ANSUL COMPANY,
Plaintiff-Appellant,

v.

UNIROYAL, INC.,
Defendant-Appellant,

DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO. and TRIANGLE CHEMICAL CO.,
Plaintiffs-Intervenors-Appellants.

Appeal from the United States District Court for the Southern District of New York.

Judgment of the Court of Appeals

This cause came on to be heard on the transcript of record from the United States District Court for the Southern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged and decreed that the judgment of said District Court be and it hereby is affirmed in part and reversed in part and that the action be and it hereby is remanded for further proceedings with costs to be taxed against the defendant-appellant in accordance with the opinion of this court.

A. DANIEL FUSARO
Clerk

Appendix G

Order of the Court of Appeals Amending its Opinion

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Docket Nos. 34876, 34883

July 19, 1971

THE ANSUL COMPANY, DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO., and TRIANGLE CHEMICAL CO.,

Plaintiffs-Appellants,

v.

UNIROYAL, INC.,

Defendant-Appellee.

IT IS ORDERED that the opinion of the Court in the above-named case, filed April 29, 1971, be amended so that the fifteenth and sixteenth lines on slip op. page 2753 read read as follows: "of limitations, 15 U.S.C. § 15(b), since the effective commencement date of Louisville's suit was May 31, 1968. He rejected Louisville's con-"

J. Edward Lumbard per JRB
J. EDWARD LUMBARD
Circuit Judge

Appendix H

Opinion of the Court of Appeals Denying Petitions for Rehearing

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Nos. 686-687—September Term, 1970.

(Submitted June 14, 1971 Decided July 19, 1971.)

Docket Nos. 34876, 34883

THE ANSUL COMPANY, DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO. and TRIANGLE CHEMICAL CO.,

Plaintiffs-Appellants,

v.

UNIROYAL, INC.,

Defendant-Appellee.

Before:

FRIENDLY, *Chief Judge*
LUMBARD, KAUFMAN, *Circuit Judges*

PETITIONS FOR REHEARING

Opinion Denying Petition for Rehearing

PER CURIAM:

Appellant Daly-Herring Co. having petitioned the court for a rehearing of its decision of April 29, 1971, and an answer having been received from Appellee Uniroyal, Inc., and Appellee Uniroyal, Inc., having also petitioned for a rehearing and an answer having been received from Appellant Louisville Chemical Co.,

IT IS ORDERED that both petitions for rehearing be and they hereby are DENIED.

Daly-Herring argues in its petition for rehearing that we did not deal in our opinion with the fact that it, as well as Louisville Chemical, urged on appeal that it was entitled to recover treble damages on the ground stated in footnote 5 of our opinion with respect to Louisville—that is, that

> "it suffered damages as a direct result of the *per se* illegal restraints on resale trade in MH-30 imposed by Uniroyal and substantially adhered to by its authorized distributors during the four-year period immediately prior to suit, each time it purchased or unsuccessfully sought to purchase MH-30 within that period."

Because we granted treble damages to Louisville on other grounds, we did not pass on the merits of this question. Therefore, Daly-Herring now contends, we have not completely disposed of its appeal.

We recognize that we have omitted any discussion of Daly-Herring's argument in this regard. As stated in its petition for rehearing, that argument has two parts:

> "Each time it sought to purchase MH-30, it found that it could not do so because of Uniroyal's specific

> prohibition against sub-distribution, or it found that to the extent it could purchase MH-30, it could not resell at a profit because prices at all levels of trade were fixed by Uniroyal [and thus Daly-Herring] had to pay higher prices therefor during the period it was an unauthorized distributor."

In order to prove the first part of this argument—that Daly-Herring could not buy all the MH-30 it needed after its termination, because of Uniroyal's unlawful scheme—Daly-Herring offered at trial the testimony of its president and sales manager, who swore that after the termination by Uniroyal it was unable to obtain MH-30 from certain other distributors. Contrary to Uniroyal's contention in answering Daly-Herring's petition for rehearing, the district judge did not reject this contention; indeed, he made no ruling on the question whatsoever. Nevertheless, we believe that Daly-Herring's evidence was adequately refuted by the testimony and records of such other distributors revealing substantial sales of MH-30 by them to Daly-Herring after its termination or, in some cases, that they would have been willing to sell MH-30 to it but were never asked. Moreover, no distributor testified that Uniroyal had actually required or asked him not to sell MH-30 to Daly-Herring, and no one testified that he had turned down an order from Daly-Herring. Hence, whether or not Daly-Herring would be entitled to threefold recovery if it could prove that Uniroyal's illegal scheme prevented it from obtaining MH-30, we do not believe that Daly-Herring proved its case by a preponderance of the evidence.

As to the second part of Daly-Herring's argument—that to the extent that it could obtain MH-30, it had to pay more for the product because of Uniroyal's price-fixing conspiracy than it would have in an unrestrained market—Daly-Herring cites us to no place in the record where it made that contention below and the district court did not

treat it. We are thus led to believe that Daly-Herring did not raise this issue until its appeal, and in such a situation it is clear both that the claim was not proven at trial and that it cannot be raised for the first time in this Court. *Schwartz* v. *S.S. Nassau,* 345 F.2d 465, 466 (2 Cir.), cert. denied, 382 U.S. 919 (1965).

For these reasons, we deny Daly-Herring's petition for rehearing.

Appendix I

Complaint

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

68 Civ. Action No. 2244

Filed May 31, 1968

THE ANSUL COMPANY,

Plaintiff,

vs.

UNIROYAL, INC.,

Defendant.

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1. Plaintiff, The Ansul Company (hereinafter "Ansul"), is a corporation of the State of Wisconsin, having its principal place of business at Marinette, Wisconsin.

2. Defendant, Uniroyal, Inc. (hereinafter "Uniroyal"), formerly known as United States Rubber Company, is a corporation of the State of New Jersey, having a principal place of business at 1230 Avenue of the Americas, New York, New York.

3. This is an action for declaratory judgment with respect to a United States Letters Patent. This Court has jurisdiction by virtue of Title 28 U.S. Code 2201-2202, 1338(a) and the Patent Laws of the United States, Title 35, United States Code. Venue in this judicial district is proper under 28 United States Code 1391(c).

Appendix I

4(a). On October 21, 1952, United States Letters Patent No. 2,614,916 (hereinafter '916) for "Agricultural Chemical Compositions Comprising 1, 2-Dihydropyridazine-3, 6-Dione And Its Salts" was issued in the names of Otto L. Hoffman et al.

(b). On information and belief, Uniroyal is, and at all times here relevant has been, the owner of said '916 patent as successor to the United States Rubber Company.

5. Ansul has made and offered for sale to its customers, within the past Six (6) Years and since the issuance of the '916 patent, and has made preparation for and intends to sell and continue to offer for sale, certain chemical compositions, to wit, salts of maleic hydrazide for plant growth regulation.

6. Uniroyal had indicated that Ansul's manufacture, sale and offers to sell the certain salts of maleic hydrazide would be unauthorized, but Uniroyal has refused to grant any right or license to Ansul under the '916 patent, and has threatened customers of Ansul with suit for infringement of said patent.

7. This action arises from an actual controversy now existing between Ansul and Uniroyal as to the alleged infringement by Ansul and/or its customers of the '916 patent and as to the validity of the '916 patent, by reason of Ansul's manufacture, sale and offers to sell said salts of maleic hydrazide to its customers.

8. Ansul denies that its manufacture, use and/or sale and its customers' use and/or sale of certain salts of maleic hydrazide constitute an infringement of Uniroyal's '916 patent.

9. The '916 patent is invalid and void for each of the following reasons:

(a) its claimed subject matter lacks patentable novelty;

(b) it fails to meet the conditions for patentability set forth in § 102 and § 103 of the Patent Act of 1952 (35 U.S.C. 102, 103);

(c) the disclosure of the patent is insufficient to comply with the requirements of § 112 of the Patent Act of 1952 (35 U.S.C. 112); and

(d) its claims do not particularly point out and distinctly claim that which the applicants therefor asserted to be the alleged invention thereof and the claims are broader than the alleged invention.

10. By reason of acts and representations made to the Patent Office in filing for said Letters Patent and to induce the grant of the 1916 patent, Uniroyal is estopped from asserting that said patent is entitled to a scope which would embrace the certain salts of malaic hydrazide made, sold and offered for sale by Ansul to its customers.

11. The '916 patent is unenforceable and void by reason of the misrepresentations made by the applicants therefor to the Patent Office to induce the grant of that patent.

12. The Uniroyal '916 patent is unenforceable by reason of said Uniroyal's misuse thereof, in that Uniroyal, *inter alia,* did and does seek by said patent to monopolize the manufacture, use and sale of unpatented and unpatentable chemical compositions, did and does seek to extend said patent to cover unpatented and unpatentable chemical compositions outside the lawful scope of said

patent, and has combined and conspired to restrain and combined and conspired to monopolize interstate and foreign trade and commerce in salts of maleic hydrazide, and other compounds, in violation of Sections 1 and 2 of the Sherman Act.

13. On information and belief, Uniroyal, in violation of Section 292 of Title 35 United States Code, marks and has marked upon, affixes and has affixed to, containers for its product designated MH-30, and uses and has used in advertising its MH-30 product, a series of patent numbers under which said product is purported to be made, whereas in fact at least one of said patent numbers does not apply or have any relation to said MH-30 product. The use by Uniroyal of said patent numbers, at least one of which does not apply or have any relation to said MH-30 product, was done with the intent of deceiving the public by importing that said MH-30 product is patented and covered by all of said patent numbers when such is not the case.

14. An actual controversy has arisen and exists between the parties with respect to the alleged validity, enforceability and infringement of the '916 patent, and unless relief is granted, irreparable injury and damage will be incurred by Ansul.

WHEREFORE, Plaintiff prays:

1. For a judgment declaring said United States Patent No. 2,614,916, and each of the claims thereof, to be invalid, void and unenforceable;

2. For a judgment declaring said United States Patent No. 2,614,916 is not infringed by Ansul or its customers;

3. For a temporary injunction enjoining Uniroyal, its officers, agents, servants, employees and attorneys and

all in privity with Uniroyal, from threatening Ansul, or any of Ansul's customers or dealers, agents, servants or employees or any prospective or present sellers, dealers or users of Ansul's certain salts of maleic hydrazide, with litigation, or charging any of them, either verbally or in writing, with infringement of United States Patent No. 2,614,916, because of any present or prospective selling or offering for sale or use of Ansul's said chemical compositions; and pending the determination of this suit, that they, and each of them, be enjoined from commencing in this or any other Court against Ansul, or any of the customers or dealers or any prospective customers or dealers of Ansul, any suit for alleged infringement of the aforesaid Patent No. 2,614,916 because of using or selling or offering for sale of chemical compositions and products made by Ansul;

4. For a permanent injunction of the same purport and tenor as the temporary injunction herein prayed for;

5. For a judgment of One-Half (½) the penalties assessed for the violations of 35 U.S.C. § 292;

6. For a judgment for its costs, disbursements and reasonable attorneys' fees incurred by Ansul herein; and

7. For such other and further relief as to this Court may deem appropriate.

MORGAN, FINNEGAN, DURHAM & PINE
By /s/ JOHN A. DIAZ
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Appendix J

Amendment to Complaint

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

68 Civ. Action No. 2244

Filed November 27, 1968

THE ANSUL COMPANY,

Plaintiff,

and

DALY-HERRING CO., CAROLINA CHEMICAL CO., LOUISVILLE CHEMICAL CO., FOOD MACHINERY CO., and TRIANGLE CHEMICAL CO.,

Plaintiff-Intervenors,

v.

UNIROYAL, INC.,

Defendant.

Now come the plaintiff and the plaintiff-intervenors in the above entitled cause and by leave of this Court first had and obtained amend the complaint heretofore filed in said cause as hereinafter set forth:

A. In lieu of paragraph 13, substitute the following:

13. Uniroyal, in violation of 35 United States Code Section 292, marks and has marked upon, affixes and has affixed to, containers for its unpatented products (including MH, MH-30, MH-40, MH Tech and SLO-GRO hereinafter referred to as MH-30 product) and uses and has used in advertising said MH-30 product, a series of patent numbers

under which said product is purported to be made, whereas in fact said patent numbers do not apply to said MH-30 product. The use by Uniroyal of said patent numbers was done with the intent of deceiving the public by importing that said MH-30 product is patented and covered by all of said patent numbers when such is not the case.

B. Plaintiff-intervenors adopt the pleadings heretofore filed in this cause as fully and completely as though filed by each of said intervenors in its own behalf.

C. Plaintiff and plaintiff-intervenors further amend their complaint by adding thereto Count II as follows:

Count II

Jurisdiction and Venue

1. Count Two is an action for treble damages and equitable relief arising under the Federal Anti-trust Laws pursuant to Sections 1 and 2 of the Act of Congress of July 2, 1890, entitled "An Act to Protect Trade and Commerce against Unlawful Restraints and Monopolies" (26 Stat. 209), as amended and supplemented, commonly known as the Sherman Act (15 U.S.C. 1, 2), and Section 4 of the Clayton Act. The jurisdiction of this Court, as to Count Two, is conferred by Sections 15 and 26, Title 15 U. S. C. and by Section 1337, Title 28, U. S. C.

The Parties and Trade and Commerce Involved

2. From raw materials purchased within and without the State of Connecticut, defendant and its predecessors, United States Rubber Company, at its plant in Naugatuck,

Connecticut, and at other places throughout the United States manufactures plant gro··h regulants (as hereinafter defined) and after such manufacture sells substantial quantities of such plant growth regulants in interstate and foreign trade and commerce to distributors located in the several States of the United States and in foreign countries, the distributors in turn sell such plant growth regulants to dealers and to some consumers located in various States of the United States who in turn sell such plant growth regulants to ultimate users. The defendant or its predecessor at all times mentioned herein, has its principal place of business in New York, New York, and is found and transacts business in the Southern District of New York within the meaning of 15 U.S.C. 22.

3. From raw materials purchased within and without the State of Wisconsin the plaintiff at its plant in Marinette, Wisconsin, manufactures plant growth regulants (as hereinafter defined) and after such manufacture sells substantial quantities of such plant growth regulants in interstate commerce to distributors located in the several states of the United States. The distributors in turn sell to dealers in various States of the United States which dealers in turn sell to other dealers and to the ultimate users of plant growth regulants.

4. Plaintiff-intervenor Louisville Chemical Company (hereinafter "Louisville") is a corporation of the State of Kentucky located in Louisville, Kentucky. Louisville is in the farm supply and agricultural chemical distribution business. Louisville buys its farm supplies and agricultural chemicals from manufacturers and sells such products either to dealers, who in turn sell to the ultimate users of such products, or Louisville sells such products directly to the ultimate users.

Appendix J

5. Plaintiff-intervenor Daly-Herring Company (hereinafter "Daly-Herring") is a corporation of the State of North Carolina located in Kinston, North Carolina, and is in the farm supply and agricultural chemical distribution business. Daly-Herring buys its farm supplies and agricultural chemicals from manufacturers and sells such products either to dealers, who in turn sell to the ultimate users of such products, or sell such products directly to the ultimate user.

6. The term "plant growth regulant", as used herein, includes chemical compounds and compositions used as plant growth regulants containing maleic hydrazide, or salts of the maleic hydrazide. The defendant's plant growth regulant products are sold under the trade names SLO GROW, MH, MH technical, MH-30 and MH-40.

Offenses Charged

7. Beginning at least as early as July 20, 1949, the exact date being unknown to plaintiff and plaintiff-interveners Louisville and Daly-Herring, the continuing up to the date of the filing of this suit, the defendant has:

(a) engaged in a plan, agreement, combination and conspiracy in unreasonable restrain of trade and foreign commerce in plant growth regulants in violation of Section 1 of the Sherman Act;

(b) engaged in a plan, agreement, combination and conspiracy to monopolize the aforesaid interstate and foreign trade and commerce in plant growth regulants in violation of Section 2 of the Sherman Act;

(c) monopolized interstate trade and commerce in plant growth regulants in violation of Section 2 of the Sherman Act; and

(d) attempted to monopolize the aforesaid interstate and foreign trade in plant growth regulants in violation of Section 2 of the Sherman Act.

8. Pursuant to and in effectuation of said combination, plan, agreement and conspiracy and as part of the aforesaid monopoly and attempt to monopolize, defendant took the following actions, among others:

(a) Filed in the United States Patent Office a patent application entitled "Agricultural Chemical Compositions comprising 1, 2, dihydrophyridazine 3, 6 dione and its salts", which application was granted on October 21, 1952, under Patent No. 2,614,916 (hereinafter " '916 patent"), as a result of certain representations made by defendant to induce the grant of said patent. Among such representations made by defendant to induce the grant of the '916 patent were the following:

(1) Defendant represented that only maleic hydrazide was disclosed in the prior art and fraudulently failed to disclose to the Patent Office that the alkali-metal salts of maleic hydrazide were specifically disclosed in the prior art;

(2) Defendant fraudulently represented that the amine salts of maleic hydrazide were substantially different from and had substantially and materially different plant growth regulant properties from the alkali-metal salts of maleic hydrazide even though defendant knew or should have known that the alkali-metal salts and the amine salts of maleic hydrazide were substantially the same and had substantially the same plant growth regulant properties;

(3) Defendant fraudulently represented to the Patent Office that maleic hydrazide and the salts thereof had plant growth regulatory characteristics even though defendant knew or should have known that maleic hydrazide

and the salts thereof were not effective as plant growth regulants on all plants;

(4) Defendant fraudulently failed to disclose the plants on which the salts of maleic hydrazide were effective as plant growth regulants and fraudulently failed to disclose the conditions under which the salts of maleic hydrazide had to be applied in order to obtain plant growth regulant properties;

(5) Defendant fraudulently failed to disclose whether or not maleic hydrazide and its sales had plant growth regulatory properties on tobacco, potatoes and onions even though defendant was primarily interested in developing a plant growth regulant for such plants.

(b) Defendant began marketing, prior to the filing of this suit, plant growth regulants under the names MH, MH-40, MH-30 and SLO GROW for use on various plants but only labeled MH-30 for use on tobacco, potatoes and onions, the labels for MH, MH-40 and SLO GROW being limited for use on other plants even though defendant knew that the MH, MH-40 and SLO GROW products could be used also as growth regulants for tobacco; potatoes and onions. In furtherance of defendant's planned monopoly defendant failed to inform the public that the composition SLO GROW and the composition MH-30 were capable of and were interchangeable in their fields of use even though there was a great disparity in the pricing by the defendant of these products. After the grant of the '916 patent, defendant listed the '916 patent on labels and on containers of MH-30 even though the '916 patent does not mention tobacco, potatoes or onions and describes no method of treating such plants with any plant growth regulant described in the '916 patent. Defendant has marked containers for its plant growth regulants with United States Patent Nos. 2,575,954, 2,805,926 and 2,614,917,

even though defendant well knew none of such patents covered said products or the use of said products as plant growth regulants; defendant so marked said containers of said products with the intent and purpose of deceiving the public into believing that said products were covered by the aforesaid patents in order to create an illegal monopoly in said products.

(c) Defendant, prior to the filing of this suit, entered into a series of agreements or understandings with various third parties (hereinafter called "formulator-distributors"), located in various States of the United States, capable of formulating and distributing plant growth regulants. In accordance with the agreements the formulator-distributors purchased from defendant maleic hydrazide and/or maleic hydrazide and a wetting agent for use in formulating MH-30. The defendant represented to its formulator-distributors and said formulator-distributors so believed that maleic hydrazide and/or maleic hydrazide and a wetting agent were patented per se even though as defendant well knew such materials, if patented at all, were patented only as plant growth regulants and had substantial uses other than as a plant growth regulant not covered by any patent owned by defendant. The aforesaid agreements did not grant patent licenses under any of defendant's patents but unlawfully limited the formulator-distributors as to geographical areas of sale and resale and illegally restricted the use of MH-30 to certain specified plants. During the existence of such agreement, defendant publicized to the formulator-distributor defendant's "suggested" price to dealers and defendant's "suggested" retail price to ultimate users of MH-30. As a result of the activities of such formulator-distributors there was developed and established a substantial market in and for MH-30 as a plant growth regulant.

(d) Thereafter, defendant, in order to further and solidify its illegal monopoly in the market place, the defendant having acquired approximately 80% of the total sale of plant growth regulant products; by controlling the quantity of MH-30 available for use; and by controlling the price to dealers and the retail prices from dealers to the ultimate user; arbitrarily refused to permit further manufacture of MH-30 by said formulator-distributors; such refusal by the defendant was over the objection of said formulator-distributors and thereafter defendant even refused to permit some of the former formulator-distributors to distribute MH-30.

(e) Thereafter defendant became the only source of supply of MH-30 refusing to grant any patent licenses to anyone including the plaintiff herein, under the '916 patent or patents 2,575,954, 2,805,926, or 2,614,917. Defendant's refusal to license was for the purpose and had the effect of perpetuating its illegal monopoly with the consequent effect of fixing an artificially high price for MH-30 to the detriment of the public and limiting the availability of MH-30 for use on plants and particularly tobacco.

(f) Defendant, when it became the sole source of supply for plant growth regulants, established a sales and marketing program for plant growth regulants the purpose and intent and result of which was to wrongfully and unlawfully: limit production and availability of plant growth regulants; maintain and control the price of plant growth regulants at artificial and unrealistically high prices; limit and prevent competition between distributors and dealers of its plant growth regulants; and establish artificial and unrealistic restrictions on distributors and dealers concerning the resale of plant growth regulants with respect to geographical areas in which such resale could be made

and the type of plants upon which such plant growth regulants could be used.

(g) Defendant kept an unlawful control over the market of plant growth regulants by granting and establishing selected distributors who were permitted to sell such products only in limited geographical areas and for limited fields of use on a yearly basis, the distributorship being cancellable virtually at the will of defendant and before the expiration of a year.

(h) Defendant constantly and repeatedly publicized to the distributor defendant's suggested dealer price for MH-30, and defendant's suggested retail price to consumers for MH-30; warned distributors who were selling MH-30 at prices lower than that suggested by defendant that their supply of plant growth regulants would be stopped and their distributorship cancelled if the prices of the distributor or of the distributor's dealers were below defendant's suggested prices.

(i) Defendant policed the prices of distributors and threatened distributors with being cut-off from MH-30 if the distributor's prices went below defendant's suggested price list.

(j) Defendant required and encouraged distributors to keep defendant advised as to the prices of other distributors and to report to defendant any distributor selling to dealers at prices below defendant's suggested prices.

(k) Defendant required and encouraged distributors to keep defendant advised as to retail prices of dealers and to report to defendant those dealers selling at prices below defendant's suggested prices and to report to defendant those distributors selling to such dealers.

(l) Defendant policed the prices of MH-30 of dealers and required dealers to report to defendant and to distribu-

tors those dealers who were selling at prices below defendant's suggested prices.

(m) Defendant wrongfully and unlawfully refused to deal with or to supply MH-30 to distributors including plaintiff-intervener Louisville and plaintiff-intervener Daly-Herring who sold or were accused by defendant's employees or agents or other distributors of selling MH-30 at prices below defendant's suggested price; or who were accused by defendant's employees, agents or other distributors of selling MH-30 to dealers who resold to ultimate users at retail prices below defendant's suggested retail prices.

(n) Defendant required and encouraged defendant's employees, agents or distributors to maintain a blacklist of distributors and dealers who sold MH-30 at prices below those suggested by defendant and required and encouraged distributors and dealers not to deal with or sell MH-30 to those distributors and dealers on the blacklist.

(o) Defendant placed markings and secret codes on containers and boxes of MH-30 so that defendant and its distributors could determine the source of MH-30 surreptiously obtained by blacklisted distributors and dealers for the purpose of preventing future supplies of MH-30 to blacklisted distributors and dealers.

(p) Defendant continuously harassed distributors and dealers to maintain defendant's price and engaged in various policing activities to insure uniformity of unrealistic and artficially high prices for MH-30 at the distributor, dealer and retail level.

(q) Defendant created, maintained and enforced artificial geographical markets wherein distributors and dealers could sell defendant's MH-30 thereby attempting to and preventing free and open competition between dis-

tributors and dealers in normal geographical areas of competition.

(r) Defendant created, maintained and enforced artificial limits on the fields of use for MH-30 for the purpose and with the effect of limiting the available supply of MH-30 for certain plants and preventing free and open competition between normally competing distributors and dealers thereby maintaining an artificial price for said product.

(s) Defendant unlawfully and illegally exercised and maintained its monopoly power through controlling the quantity of MH-30 available in the market place and making the same available only to those parties acceeding to defendant's wishes to conform to the maintenance of an artificial price, and refusing to supply in whole or in part the orders of those parties who did not or were unwilling to conform to defendant's scheme of maintaining an artificial price.

9. The defendant has unlawfully utilized United States Letters Patent Nos. 2,614,916 and 2,575,954 as instruments: in furtherance of said combination, conspiracy, and concerted action in the unreasonable restraint of interstate trade and commerce in plant growth regulants in violation of Section 1 of the Sherman Act set forth in Paragraphs 8(a)-(s), both inclusive; in the creation of an illegal monopoly in plant growth regulants and in its attempts to maintain such illegal monopoly in interstate trade and commerce in plant growth regulants through fixing prices, price maintenance, the imposition of unreasonable and illegal restrictions and conditions upon the sale and use of plant growth regulants, and extending the alleged monopolies of said patents to cover unpatented compositions and processes—all in violation of Section 2 of the Sherman Act, thereby rendering each of said patents void and unenforceable.

10. The aforesaid illegal acts of the defendant have proximately caused the plaintiff, The Ansul Company, and the plaintiff-interveners, Louisville Chemical Company and Daly-Herring Incorporated, to be injured in their trade and business: by having to operate in a more expensive manner than would have been required but for said illegal acts of the defendant; rendering them less able to expand their capacity and to develop available patronage and goodwill; by losing profits from sales of MH-30 and other agricultural products; and by incurring the costs of this litigation.

WHEREFORE, plaintiff and plaintiff-intervenors, Louisville Chemical Company and Daly-Herring, pray for a judgment:

(a) Perpetually enjoining the defendant from continuing its illegal acts;

(b) Declaring each of said United States Patents Nos. 2,614,916, and 2,575,954 to be void and unenforceable;

(c) Damages in the amount of $2,000,000 to be trebled pursuant to the provisions of 15 U.S.C. 15.

(d) Awarding the plaintiff and plaintiff-intervenors reasonable attorneys' fees and cost of this action.

(e) And for such other further and different relief as in equity and good conscience the plaintiff and plaintiff-intervenors may be entitled to in the premises.

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